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FINANCIAL TIMES

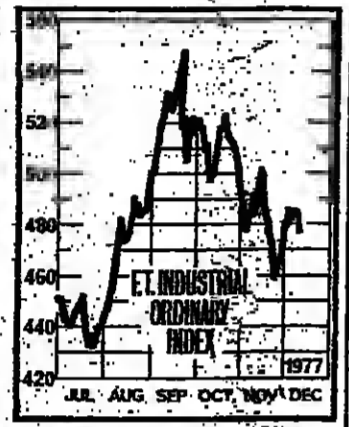
No. 27,455 Wednesday, December 14 1977 \*\*12p

CONTINENTAL SELLING PRICES: AUSTRIA S.15; BELGIUM Fr.25; DENMARK Kr.3.5; FRANCE Fr.3.0; GERMANY DM.2.5; ITALY L.500; NETHERLANDS Fl.2.0; NORWAY Kr.3.5; PORTUGAL Esc.20; SPAIN Ptas.40; SWEDEN Kr.3.25; SWITZERLAND Fr.2.0; IRE 12p

Top quality ventilation Vent-Axia the fug fighter

NEWS SUMMARY

GENERAL BUSINESS
Firemen \$ weaker
Reject after bankers' meeting
New pay offer
Police 'should' suspect



Anglo-French talks end with pledge on industrial links

BY RUPERT CORNWELL, LOBBY STAFF
THE Anglo-French summit yesterday set the seal on the flourishing state of relations between the two countries...



Callaghan and Giscard - commercial not political.

First past the post for EEC elections

By Richard Evans, Lobby Editor
THE COMMONS last night rejected a move to introduce proportional representation into the elections for the European Parliament...

Stonehouse report urges law changes

BY JAMES BARTHOLOMEW
SEVERAL CHANGES in company law are suggested in a report which strongly criticises the subsequent history of the company would have been 'very different'...

U.S. pressure on Japan for better trade deal

WASHINGTON, Dec. 13.
THE U.S. is insisting that Japan must rapidly eliminate its current account surplus and immediately begin to liberalise access to what U.S. officials here are calling its 'excessively closed' economy...

talks in Cairo
Industrial output still slow

250,000 raid
Plants at risk

Guards charged
Riots in England

Wards charged
Riots in England

Wards charged
Riots in England

Wards charged
Riots in England

Record increase in ICL turnover

BY MAX WILKINSON
ICL announced a record increase in turnover this year, which reached £418.7m, an increase of 45 per cent over last year.

Investigate

He repeated his position as quoted in the report that he would have given quite different advice if he had known the true facts...

Table with 3 columns: Dec 1977, Previous, % change

Japan's growing trade surplus, Page 6

COMPANIES
LRC INTERNATIONAL lifted pre-tax profits by 9.7 per cent to £4.13m.

COMPANIES
SMITH AND NEPHEW profits rose 27.5 per cent from £9.25m to £11.79m.

COMPANIES
FRANCE'S unemployment has fallen for the third month running, leaving 1,065,000 jobless.

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Table: PRICE CHANGES YESTERDAY

Table: FEATURES ON OTHER PAGES

Fastest to South Africa South African Airways

LOMBARD

The case of the missing MPs

BY PETER RIDDELL

THE ABANDONMENT on Monday of a public session of an important Commons committee because only two out of eight MPs turned up was all the more regrettable...

Questioned

It would be unfair to be too harsh on the general sub-committee. Under Mr. Michael English's chairmanship since February, 1974, some useful and important work has been done...

WHO CAN be bothered with the fir-cone? Few gardeners, I think, while the rest of us just drop a few into a bag and hope that the children will waste at least two hours in painting them bright colours during those awkward weeks before Christmas...

GARDENS TO-DAY

BY ROBIN LANE FOX

seen was at Wakehurst Place in Sussex; otherwise, you should check out the National Pinetum at Bedgebury in Kent, an excellent outing for gardeners who have some out-of-season plants...

Speedy Rial may have edge

WITH THIS afternoon's Worcester card abandoned because of flooding, backers will have to rub on Southwell where they face something of an endurance race due to three "spliffs" racing gets under way at 11.15 a.m. with Div. 1 Part 1 of the Christmas Party Novices Hurdle...

Austen play makes £17,000

The manuscript of Sir Charles Grandison, or The Happy Man, a previously unknown play by Jane Austen, sold for £17,000 at Sotheby's yesterday.

Saleroom

Other good prices included £4,900 paid by John Fleming, a New York dealer, for a copy of Gilbert White's Natural History of Selborne...

Contractors' affiliate

THE new National Association of Forework Contractors will become fully affiliated to the National Federation of Building Trades Employers from January 1.

RACING

9th of 22 behind Canax at Windsor on Guy Fawkes Day, Rugare did far better at Plumpton on November 29, running 4th behind Donzel in a 14-runner event...

TV Radio

- 12.45 p.m. For Schools, Colleges, 12.45 News, 1.00 Public Mill, 1.40 The Plumps, 3.25 Volunteers, 3.35 Regional News for England...

F.T. CROSSWORD PUZZLE No. 3,544

Grid for crossword puzzle with clues for Across and Down.

Regional TV and radio listings for various areas including London, Midlands, South, and Wales.

Advertisement for AN ANNOUNCEMENT BY TATE & LYLE LTD, featuring a cartoon character and promotional text.

ACROSS and DOWN crossword clues, including 'How about everybody showing reverence?' and 'Superficial knowledge required in sing about the subject'.

RADIO 1, RADIO 2, RADIO 3, and RADIO 4 broadcast schedules for various times and frequencies.

Continuation of the Tate & Lyle advertisement, including the cartoon character and contact information.

Handwritten text in the top right corner.

Don Carlos by WILLIAM WEAVER

Opera's most famous opera... Don Carlos... William Weaver's review of the opera.

Television

The problem with party political

by CHRIS DUNKLEY

As a member of the viewing public I feel that it is high time... Party Political Broadcasts (PPBs)...



Sarah Webb and Grant Bardley in 'The Shrimp and the Anemone'...

mind every serious journalist's instinct will be to fight for the... The Entertainment Guide is on Page 26

Period drama does not have to be... The fifth and final part of an... The reason was made clear by Joe Ashton...

cell Room Park Lane Group by DAVID MURRAY

cell Room... Park Lane Group... David Murray's review of the opera.

Bergman The Serpent's Egg by OSSIA TRILLING

Bergman... The Serpent's Egg... Ossia Trilling's review of the film.

Golden Age by RONALD CRICHTON

Golden Age... Ronald Crichton's review of the opera.

YAA Artists Awards for 1977

YAA Artists Awards for 1977... Association for the first assessment in the 1978 Artists Awards...

KINGDOM OF SWEDEN DM 200,000,000 6% Deutsche Mark Bonds of 1977/1989. Includes a list of banks and financial institutions.

EUROPEAN NEWS

U.S. DOUBTS ON SHARING CRUISE SECRETS

Allies anxious over Bonn leakages

BY REGINALD DALE, EUROPEAN EDITOR

THE LATEST West Germany spy revelations can only add to the reluctance of Washington and other NATO governments to share sensitive military secrets with Bonn...

ant Tellow Canal that crosses East German territory. Jonathan Carr adds from Bonn: The West German Defence Minister, Herr Georg Leber, today shrugged off any suggestion that he should resign because of the latest spy affair here...

he said—ironically noting that he supposed that those who had hired the woman had not known she was a spy. Herr Leber stressed that the moment the espionage became secret and her two accomplices known last year NATO had been informed and the appropriate steps taken...

opposite CDU, has already suggested that if anything like all details of the spying affair already published are true, then there should be personal consequences at the highest level...

Germans 'testing missile'

BY DAVID SELL

WASHINGTON, Dec. 13

WEST GERMANY has begun testing its own Cruise missiles in a 100,000 square mile reservation which it leased last year from the Zaire Government...

their own Cruise missiles in the Shaba province of Zaire since early this year using technology which is leased to them by Washington. There was no immediate comment on this today either from the CIA, which he says, was involved, or from the Pentagon...

Belgrade meeting stalled

By Paul Lendvai

BELGRADE, Dec. 13. OVERSHADOWED by the growing threat of Soviet trials against prominent Soviet dissidents, the 35-nation European Security Council, now in its 11th week, is bogged down in a serious procedural wrangle...

French unemployment declines

BY DAVID CURRY

PARIS, Dec. 13

FOR THE third month in a row, unemployment has declined in France. This time not only has the seasonally adjusted total declined between October and November, but the crude figures are also lower...

cautiously to a relaxation of the Government to permit a return to free collective bargaining. The crude total was 2.2 per cent down on the October figure, at 1,179,000. In August, the figure stood at 1,215,000...

The two unions involved, the Communist-controlled CGT and the Left-wing CFDT, cancelled plans for a strike to protest after the State-owned electricity and gas utility agreed to meet them tomorrow evening in a spirit of dialogue...

SALT adjournment

U.S. and Soviet strategic arms limitation talks (SALT) negotiators were, as expected, unable to complete a new treaty this year, and agreed to adjourn on Saturday...

Andreotti in crisis talks

BY PAUL BETTS

ROME, Dec. 13

THE ITALIAN government fixed today the timetable for its crucial round of talks on which its own future could well depend with trade union leaders and the country's five main opposition parties...

tion parties will approve its new economic package designed at containing Italy's enlarged public sector deficit to a level more acceptable to the International Monetary Fund. Cabinet ministers, however, still appear to be at odds on the formula for achieving the required cuts in public spending...

Soviet budget approved

MOSCOW, Dec. 13

SOVIET COMMUNIST leaders met here today to approve the 1978 economic plan, which is expected to call for improved efficiency and quality. About 420 members of the party's policy-making central committee heard speeches by President Leonid Brezhnev, Finance Minister Vladimir Voronov, and State Plan Chief Nikolai Baibakov...

Russian threat on W. Berlin Europe poll

By Our Own Correspondent

BERLIN, Dec. 13

THE SOVIET Union is showing increasing hostility to West Berlin's participation in a directly elected European Parliament as the Nine go ahead with preparations for the first European-wide poll...

Nine fail to approve plan to encourage use of coal

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, Dec. 13

MR. ANTHONY Wedgwood Benn, the British Secretary of State for Energy, said today that he was "bitterly disappointed" at the failure of EEC energy ministers to approve proposals this afternoon for Community aid to encourage the use of coal in power-generating stations...

of their own, want the money used to finance imports from Eastern Europe, which already sell more cheaply than supplies mixed inside the EEC. Britain has also been pressing for Community aid to build up minimum EEC coal stocks of 20m. tonnes to prevent price closures in time of slack demand...

He also rejected any proposal to set firm targets for energy consumption, which the British Government has already decided on North Sea gas policy. The ministers also agreed a British request for a planned amendment to a planning directive aimed at encouraging all new heat generators to be non-industrial buildings...

Warning on regional fund Welcome to U.K. tax on tobacco

BY DAVID BUCHAN

STRASBOURG, Dec. 13

By Our Own Correspondent

THE EUROPEAN Parliament was warned today that any decision to increase the money for the EEC regional fund in 1978 beyond the 880m. European units of account (U.A.) agreed at last week's EEC Heads of Government summit would cause a "political crisis"...

change it would sour otherwise good relations this year between the Community institutions. By contrast, he said, the Council is willing to meet the Parliament's outstanding demand for increases of 140m. U.A. in commitments and 53m. U.A. in payments for 1978 in areas outside the regional fund...

BRITAIN'S proposals to tax a differential tax on the high-tar cigarettes won't a specific fiscal response from Health Ministers, who held their first council meeting last week. Don'ts about the price rise as a means of reducing tobacco consumption, however, expressed Denmark, which claims its taxes, cigarettes may be the world...

Bird hunting curbs agreed

BY OUR OWN CORRESPONDENT

BRUSSELS, Dec. 13

MEASURES TO protect bird life in the EEC, by outlawing the hunting of endangered species and prohibiting the use of unfair methods of killing and capture, have been agreed in principle by Environment Ministers...

the killing of migratory birds in France and Italy, where species such as skylarks and blackbirds are regarded as "gastroomic delicacies". The Ministers agreed last night, after hours of bargaining, to restrict the number of species which could be hunted to 71, than 120 at present. Only 24 species will be hunted, including 13 through the use of EEC and hunting of the other 47 will be subject to regional limitations...

definitive, under the definition of EEC social expenditure, under the 1970 to 1975 and would lead to 50 per cent in 1980, owing to pensioners. Social security expenditure had risen much more than national income in the last 10 years. It amounted to 18 and 22 per cent of GNP in 1970 and 1975 respectively. The men would have preferred to go over again with the Labour Party even though talks to that effect have already failed since the General Election at the end of May. Mr. van Agt is also finding it hard to attract first-class stars from the VVD. It is probably because few would give up their present job and commerce and industry with prospect of a long period of relative calm. It was reported from Hague today that the Party's Dr. G. A. van der Geer (SD) will become Minister.

Setbacks in selecting Dutch Cabinet

BY MICHAEL VAN OS

AMSTERDAM, Dec. 13

MR. ANDRIES VAN AGT, the Dutch Premier-designate, is finding the task of putting together his new Centre-Right Cabinet more difficult than expected. A number of noted Christian Democrats, both in the outgoing coalition Cabinet with the Labour Party and outside, have refused to take part in the new Cabinet...

have refused Cabinet seats are members of the Anti-Revolutionary Party, which is one of the three parties in the CDA Christian Democratic Federation. They include Mr. Jaap Boersma, the present Minister of Social Affairs; Mr. W. de Caspar Fortman, the Home Affairs Minister; and Professor Goddard, who created the policy programme of the CDA Federation on its establishment in 1976. The men would have preferred to go over again with the Labour Party even though talks to that effect have already failed since the General Election at the end of May. Mr. van Agt is also finding it hard to attract first-class stars from the VVD. It is probably because few would give up their present job and commerce and industry with prospect of a long period of relative calm. It was reported from Hague today that the Party's Dr. G. A. van der Geer (SD) will become Minister.

Turkey's troubled economy faces the IMF's remedy

BY DAVID TONGE IN ANKARA

AS RECENTLY as last summer, the Turks were talking of becoming the world's tenth industrial power within 20 years: now such talk has become a remote memory as they wend their way through the winter. But the recent onset of the snows and bitter cold of the Anatolian December coincides with the first serious signs of moves towards easing the foreign exchange crisis which is at the heart of Turkey's economic shambles...

crisis to reach such a pitch. But now, with Sunday's municipal elections over, the Central Bank believes the Government will be ready to complete the controversial austerity package which the International Monetary Fund has been demanding...

He says that in March the SPO had given the Government 21 alternative macro-models, only to be asked to prepare another one. But then in October it was given an impossible deadline for yet a new approach. Now he says the plan contains an overall budget, this lacks the usual details, including the division of expenditure between the various ministries...

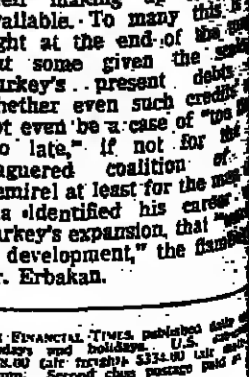
years ago, opium from Turkey's fields used to account for the raw material of three quarters of the heroin entering the U.S. Now opium poppies are again grown but peasants are forbidden to lance them and, under a new process, morphine base is extracted in factory operations which prevent smuggling...

growth rate, shows no attempt to see if the various plan targets are compatible with each other and with the overall strategy chosen by the Government, and treats the whole cost of future development as a burden to be borne only by the wage earners...

gloom as industrialists worry about how to keep on producing now that foreign suppliers are giving no more credits. The October import figure of \$772m, was 25 per cent lower than the average import bill during the first nine months of the year. The fall would have been even greater but for what some industrialists describe as their "lifeline"—the practice of buying foreign exchange on the black market and using this to pay for imports. The increasing use of this practice, which involves large-scale diversion of emigrant workers' savings, is reflected in the rise in the black market premium on foreign exchange to around 35 per cent. This premium and the need for industrialists to double finance—beginning in its payments for electricity imported from Bulgaria, it hopes to export its 4m. tons of wheat stocks and other agricultural stocks which could bring it over \$1bn. With 97 per cent of Turkey's imports being semi-manufactures or investment goods the foreign exchange crisis has been close down production but hoping to win lower production settlements that would otherwise have been the case. An agreement with the IMF, if reached, could see some \$100m of credit from the IMF because of a shortage of other credit around \$200-300m. This would be imported raw material for other sectors too there is a mood of the bankers say, he followed by...

officials at the State Planning Organisation (SPO), a body which has played an important role since central planning was introduced here in the early 1980s, said that the five-year plan is "not a plan but an uncoordinated collection of draft sectoral analyses and targets". Mr. Icen Bortuc, head of the Social Planning Department of the SPO until last month, was one of 50 SPO officials who sent a memorandum to the Government complaining of the splashway in which they were being required to prepare the plan...

Mr. Neemetin Erbakan, now Deputy Prime Minister in the present Right-wing coalition, has been designated as the slogan "Warrior of Development". He has been insisting that the country adopt a 10 per cent growth rate in the 1978-82 five-year plan. His coalition partners would have settled for a hardly-modest 5.5 per cent. In 1982 GNP grew at an impressive 6.5 per cent. But the IMF has been asking just how such plans will be financed. Arguments throughout the autumn led to the plan, together with the 1978 programme and the 1978 budget, being tabled in parliament on November 30, only 10 minutes before the expiry of the constitutional deadline. But...



Mr. Neemetin Erbakan, Turkey's 'warrior of development'.

Handwritten signature or scribble at the bottom of the page.

# AMERICAN NEWS

## Congress kills hopes for pre-Christmas Energy Bill

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, Dec. 13.

THE WHITE HOUSE has now more or less written off the chance of Congress passing a satisfactory Energy Bill by Christmas.

The best hope now appears to be that within the next few days the respective Congressional conference committees will at least resolve in principle their differences over the most intractable elements in the energy programme and the form of the wellhead tax on crude oil.

As if the divisions on the Energy Bill were not deep enough, Congress has been additionally distracted over the last few days by a parallel squabble over the Social Security Bill. This was brought about by the introduction of a rider to the bill by the Republican Senator William V. Roth from Delaware providing for a tax credit that all Americans could take to help defray the cost of sending their children to universities.

Although Senator Roth's proposal bears minimal direct relevance to the Social Security Bill, it is a standard Congressional tactic to hang such amendments on the bill. The rider in the manner often described as "the Christmas tree" approach.

Although the rider is not attached to the bill, it is a major distraction. The effect of the rider is to delay the Congressional procedure including deliberation on the Energy Bill.

President Carter is reported to be growing increasingly frus-

trated by Congress's inability to reach what he considers to be a subject of paramount importance. Although the White House publicly insists that he is content with the bill as it stands, it is privately being said that the President is mulling fewer words in discussions with senior Congressional leaders.

As it stands now, Congress would like to adjourn for the Christmas recess by the end of January 19, when it will hear the State of the Union message. Under the crafty guidance of Senator Russell Long, would make concessions on both regulation and the distribution of proceeds from the wellhead crude oil tax. Such a bargain may yet be struck, but it is hard to detect signs that it is in the offing from the deliberations of the Congressional conference committees.

UPI adds: Energy Department officials took the administration case for nuclear energy before a wide assortment of consumer groups today arguing that the U.S. has no choice but to rely on the power of the atom.

The briefing was the first in a series to present Administration energy plans to consumer groups, many of which have protested that nuclear power was potentially dangerous. The audience included representatives from Environmental Action, Consumer Action Now and Ralph Nader's Public Interest Research Group.

economic message, probably next month, and is also bound to unveil his budget, the first of his Presidency over which he has had effective control, shortly. But such arguments still appear to be cutting little ice with the Congressional conferees.

Last week, there did appear to be signs that the Energy Bill deadlock was being broken, with the Administration quietly intimating that it would be prepared to raise the price of domestic oil (which can be done by executive action) if the oil state Congressmen and Senators, under the crafty guidance of Senator Russell Long, would make concessions on both regulation and the distribution of proceeds from the wellhead crude oil tax. Such a bargain may yet be struck, but it is hard to detect signs that it is in the offing from the deliberations of the Congressional conference committees.

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## AFL-CIO BIENNIAL CONVENTION

# Strained relations with Carter

BY JOHN WYLES IN LOS ANGELES

WITHOUT DISTURBING the calm of its public proceedings, the American Federation of Labour-Congress of Industrial Organisation biennial convention here has endorsed three potentially far-reaching recommendations in the past couple of days. Two of them, on economic and trade policies, could seriously threaten the fragile health of its relations with the Carter Administration, and the third may ultimately contribute towards some change in the overall direction of the American labour movement.

President Carter is not the AFL-CIO's favourite politician at the moment following his cautious rejection of an invitation to speak to the convention. Indeed, the standing ovations for Vice President Mondale and Governor Jerry Brown of California, who is seen as a possible rival to Carter for the Democratic nomination in 1980, is reliably said to have given rise to some presidential second thoughts and the wisdom of delivering at least a telephone message to Carter by this morning.

In 4,250 words, the two resolutions hammer home labour's growing unrest at America's steady erosion of jobs in industries such as steel, textiles, footwear and colour television sets by low priced imports. The AFL-CIO says that the answer to unemployment is an economic stimulus which its officials estimate at about \$31bn. Among other things it would cut taxes on low and middle income groups and provide funds to accelerate

the housing construction, create an urban development bank and initiate a new programme for public works. In addition, the AFL-CIO wants tighter controls on the export of U.S. technology and capital.

Imports and exports including qualitative restraints which will assure imports in keeping with the nation's wellbeing. They demand the removal of various incentives to multinational investment abroad, along with new international agreements to improve the conditions of workers in those countries. "That seek to attract industry through the exploitation of workers." The AFL-CIO's pledge to use all of its considerable legislative public relations and organisational resources in pursuit of these goals, seriously threatens to encourage protectionist thinking in this country and restrict the President's flexibility in his negotiations with Japan and within GATT. Labour's priority proposals among the many contained in the two compendious resolutions will undoubtedly be spelled out

in the President by Mr. George Meany, whose 33 years proved no obstacle to his re-election here for his 12th term as AFL-CIO president. Mr. Meany's sampling of opinion among delegates, who are virtually all full-time union officials, will have left him in no doubt that labour favours a tough approach on trade and economic policy. One of the unfortunate things about President Carter's non-appearance at the convention is that Mr. Meany, 22 years as president of the AFL-CIO, no one expected it to be otherwise. The vast majority of the 1,000 or so delegates seemed in no mood to disagree with the effusive nominating speaker who appeared to rank him above Moses as a force for good in world affairs.

One dissenter who has been accessible to many journalists on request is that of Mr. William W. Wimpfinger, the president

Meany is almost certainly starting his last two-year term, the odds are long against Mr. Wimpfinger and Mr. Wurf converting a majority of the AFL-CIO to their views. Nevertheless, their demands for more vigorous policies to restore the mantle of "the people's lobby" to the AFL-CIO and for a more critical appraisal of the merits and weaknesses of American capitalism are likely to find more support as Mr. Meany's career draws to a close. Mr. Wimpfinger, Mr. Wurf and a new wave of union leaders such as Mr. Doug Eraser, whose United Autoworkers may well remain outside the AFL-CIO until Mr. Meany's departure, believe that the movement must broaden its appeal to survive.

Substantially less than 25 per cent of American workers now belong in trade unions and employers are showing a new determination to resist or deflect recruitment efforts wherever they can. Mr. Wimpfinger told me yesterday that he was offended by the fact that Mr. Meany's presence as head of the movement merely confirmed many Americans in their belief that "We are one more facet of the special interest group society."

Whether he can emerge as a rallying point for a new style of American trade unionism remains to be seen. After a week of living with labour at close quarters it is hard to quarrel with his conclusion that we have got to show the ordinary worker institution has more spark, vitality and democratic debate than we have today.

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## U.S. farmers to strike for higher price supports

BY STEWART FLEMING

NEW YORK, Dec. 13.

THOUSANDS OF farmers are planning a strike to-morrow to protest the decline in farm incomes and demand higher agricultural support prices. Week-end rallies saw the streets of 30 State capitals and Washington, DC jammed with tractors and trucks.

The rallies were well supported in many cities—some 6,000 farmers turned out in Georgia—but there are doubts about how deep the support for the strike will be. For one thing, it is hard to see how effective such action can be.

Moreover, the administration clearly believes that the farm militants' demands, which call for the doubling of some farm price supports, cannot and should not be met. Mr. Bob Bergland, the Agriculture Secretary, said over the week-end that the administration will not give in to farmers' demands for guaranteed profit. He said that their claims would require dismantling the entire market system with the complex bureaucracy.

In the past two years—under pressure from falling grain prices, rising costs and, in some areas, severe drought—farmers have found their incomes

squeezed. There is little doubt that many farmers are losing money, and there is some evidence that the prices of farm lands, which have been steadily rising for several years, may now be stagnating and in some areas beginning to decline.

On the other hand, many farmers built up strong reserves in the early years of the decade when prices soared, and there are doubts about how severely stretched they are financially. Current conditions are reportedly not good in farm communities and some have recently been signs of some hardening of grain prices, however, reflecting stronger world demand, and some argue that farm incomes could turn up sharply over the next year.

There does not appear to be much concern that enough farmers will support the strike and withhold supplies from the market on a scale which will force food shortages or higher prices. The militant farmers appear to lack the support. But equally not afford to ignore completely the complaints of such an important political block.

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## Alcan take-over problem

BY JAMES SCOTT

TORONTO, Dec. 13.

A BID by Alcan Aluminium of Montreal to expand its operations in the U.S. into its largest national market, has run into a problem.

The U.S. Justice Department has filed a civil anti-trust suit, seeking to prevent Alcan Aluminium's U.S. subsidiary, Alcan Aluminium Corp., from acquiring an aluminium smelter and rolling mill at Scottsboro, Alabama, from Revere Copper and Brass. Purchase of the plant by Alcan for \$140m. was agreed in June.

The suit by the Justice Department seeks to block the sale, which was scheduled to be completed this week, and it also asks for a permanent injunction against the deal. The department claims that the sale would eliminate significant competition

in the sale of aluminium products in the U.S.

Alcan operates four aluminium rolling mills in the U.S., with a total capacity of 520,000 tons annually, and a rod mill with a capacity of 60,000 tons annually. It also has three cable plants with a capacity of 60,000 tons annually. It also has three cable plants with a capacity of 45,000 tons annually, for the production of power transmission and distribution materials.

The addition of the Scottsboro plant would increase Alcan's rolling mill capacity in the U.S. by about 18 per cent. The company has a strong sales network in 24 states and had record profits last year, although investment by the industrial community was not as high as anticipated.

## U.S. travel agents arrive in Havana

More than 170 U.S. travel agents flew to Havana yesterday as the curtain went up on the first season for 17 years of U.S. tourism in Cuba. Reuter reports from Havana that the travel agents, all from the Chicago and Detroit areas, were brought here to see the facilities which Cuba can offer U.S. holidaymakers, who are due to start arriving next week.

## Concorde within NY noise limits

Concorde operated within the noise limits at Kennedy Airport, New York, last month, Federal Aviation Administration (FAA) tests show, Reuter reports from Washington. The FAA said that Concorde produced 96.7 decibels of average effective perceived noise at Howard Beach, and 95.8 decibels at Belle Harbour. Concorde operated more quietly at Kennedy than at Dulles Airport in Washington, the FAA said.

## Quito kidnap

The head of a businessman who was kidnapped 13 days ago was found in the grounds of a church college in Quito yesterday, Reuter reports from Ecuador. They said the head was that of Sr. Jose Antonio Bria, a 33-year-old industrialist.

## No UN hijack move

THE UN General Assembly has relegated to committee study for another year the discussion of measures against hijacking, kidnapping and other forms of international terrorism. UPI reports from the UN. Proposals have met with a persistent obstacle—the insistence by some nations that terrorist acts based on political motives be excluded.

## Bahamas citizenship

The Bahamas National Baptist Missionary and Educational Convention, representing the largest religious denomination in the islands, has adopted a resolution calling on the Government to reconsider a proposed citizenship referendum "intended to diminish or abolish any human or civil or constitutional right." Miss Kelly writes from Nassau. The Government has said that it will seek public support for a constitutional amendment to give the courts, the men, rather than for determining the final authority for determining citizenship. The referendum is aimed at depriving some of their Commonwealth citizenship held under the 1973 independence constitution.

## Polaroid accused

A woman, who led anti-apartheid demonstrations by Polaroid workers in 1970, yesterday accused the company of using its announced withdrawal from South Africa to disguise another role in making identification cards for police. Reuter reports from the UN. Miss Caroline Hunter told the UN special committee against apartheid that South Africa has announced an intention to change from books to identity cards for blacks. She said that Polaroid would make the new cards. Polaroid denied the charge, saying that the company did not make the computer identity cards which Miss Hunter described.

We are large enough for International Financing and still personal enough to remember your name.

We all know, banking with a large bank for international transactions has its problems. It's a shame, many banks overlook the problems, thereby not rectifying them. We do!

That's what makes us more than just a large bank.

If you need an Austrian bank in a financing group, loan consortium (new issue syndication), or just to conclude an East-West business ventures, why not write or phone one of our experienced staff members. He will become your personal banker, who will represent your interests whatever department it may concern.

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OVERSEAS NEWS

MR. VANCE'S MIDDLE EAST TOUR

Hostile reception in Syria

BY ANTHONY McDERMOTT

MR. CYRUS VANCE, the U.S. Secretary of State, arrived yesterday in Damascus on the toughest leg of his six-nation tour of the Middle East, having admitted in Beirut earlier in the day that it was unrealistic to expect more Arab countries to join the conference in Cairo.

Mr. Vance was told here yesterday that Lebanon would not attend the Cairo conference. He stressed the importance of the U.S. attached to the "working relationship we have with President Assad and Foreign Minister Abdel-Halim Khaddam. Our relationship with Syria is of great importance and we hope to work together towards the common objective we have in finding a comprehensive settlement of the Middle East crisis."

Mr. Assad on Monday would open a five-nation tour of Saudi Arabia, Kuwait, Bahrain, Qatar and the U.A.E. to present his case and gather opposition to President Sadat's initiatives. At one stage Mr. Khaddam even told the Kuwaiti daily al-Rai al-Aam, that Syria will inform Mr. Vance that it will not go to Geneva.

China aims at higher farm output

CHINA WILL hold a national conference on farm mechanisation, the New China News Agency has announced. This is designed to increase agricultural productivity by furthering the leadership's goal of basic mechanisation by 1980.

However, the State will give much more aid to agriculture next year, an editorial in the People's Daily stated. This may result in a rearrangement of priorities, with consequent delay in expanding the industrial or defence sectors in which Peking seems to have been planning development this year.

The aim of basic mechanisation by 1980 was initially expressed at the Learn from Tachai conference on agriculture in 1975.

Police release Oginga Odinga

FORMER KENYAN vice-president Oginga Odinga, detained by police in Nairobi last Saturday, was released today for "threatening to kill" he told reporters.

Mr. Odinga spent three days in what he described as "a very cold police cell." He showed the reporters a police hand he had been given telling him he was also being investigated for threatening a breach of the peace.

He was arrested with 17 others, including a member of parliament who is a former cabinet minister, Mr. Ombayo Ayudo, at a fund-raising meeting at a selection in his Luo tribe. All the detainees have now been freed.

WARS IN ETHIOPIA

More violence at fronts, in Addis

BY OUR FOREIGN STAFF

THE SECESSIONIST wars in Ethiopia, are intensifying, according to reports from the Horn of Africa. Diplomatic sources in Addis Ababa and Mogadishu have said that Ethiopian forces are trying to recapture the town of Jijiga which fell to Somali forces early in September.

In the northern province of Eritrea, guerrillas of the Eritrean Popular Liberation Front (EPLF) claim to have recaptured the port of Massawa on the Red Sea. The increase in fighting coincides with more political violence in the capital, Addis Ababa, where gun-fights are reported to have raged for hours at a time. Yesterday, police in the city appealed in residents for support in a campaign against insurgents.

There have been no reports from the Somali side of the fighting in the northern part of the Ogaden region, where Jijiga and Harar, but the Western Somali

Rhodesia talks at crucial stage

BY TONY HAWKINS

TALKS BETWEEN the Rhodesian Government and the three domestic nationalist parties reached a crucial stage, with tomorrow's discussions focusing upon the key issue of safeguards for the country's 300,000 whites, coloureds and Asians. The two sides have already agreed on the principle of one-man-one-vote, though the question of the age universality adult franchise should apply from has been referred to a committee.

Mr. Smith and Chief Chirau, leader of the Zimbabwe United People's Organisation, both favour 21, but Bishop Abel Muzorewa, president of the United African National Council and the Rev. Ndabingi Sibhoni, who leads the African National Council (Sithulu), want an age limit of 18. The Rhodesians do not see this as a critical issue and it seems probable that 18 will be accepted.

Claims by parties—both inside and abroad—that Mr. Smith's commitment to adult franchise did not specify "universal" suffrage have been quashed by the explicit use of the expres-

Fewer S. African arrests since clampdown—police

A SENIOR South African policeman claimed today that the mass handings and detentions of black leaders ordered in October by Mr. Jimmy Kruger, the Minister of Police, had resulted in a dramatic drop in the level of urban unrest in South Africa's black townships.

Major-General David Kriel, the Deputy Commissioner of Police, said in an interview with the staunchly pro-government newspaper The Citizen that "arrests for incidents against the public peace began falling off immediately after October 19, the day of the security clampdown," continued to decline

U.N. Assembly seeks oil embargo

AN overwhelming majority of General Assembly members last night approved a request to the Security Council for a mandatory oil embargo against South Africa.

Oman and UAE in border row

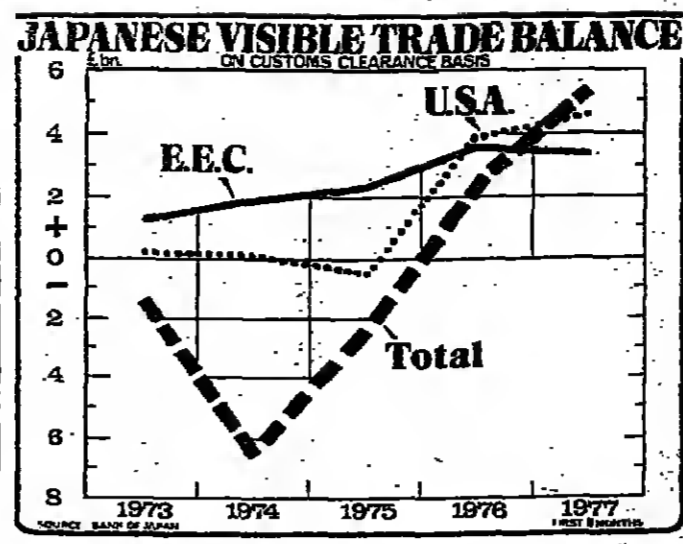
A MAJOR border dispute has erupted between Oman and the United Arab Emirates, according to reports reaching Beirut. The Kuwaiti newspaper, Al-Rai al-Aam today carried a front-page report saying that military reinforcements have been moved to the disputed area by Omani and Emirati forces.

ILO appeals for funds

THE INTERNATIONAL Labour Organisation has appealed to Iran and other rich members to meet a shortfall in funds caused by U.S. withdrawal of Mr. Francis Blanchard, its director general, said in an interview here today.

Mr. Blanchard told the Kathon newspaper that the recent U.S. withdrawal meant a 25 per cent loss of funds.

WORLD TRADE NEWS



THE SURPLUS SOARS

Although Japan has stepped up its total imports to \$84.8bn. last year from \$78.3bn. in 1976, imports from its main trading partners—the U.S. and E.E.C.—have shown negligible growth. Exports, however, have shown a sharp increase with shipments to the EEC up 73 per cent since 1973, while those to the U.S. have increased by 65 per cent over the same period.

IMPORTS-EXPORTS IN \$bn.

Table with 4 columns: Year, E.E.C., U.S., Total. Rows for Exports (1973-1977) and Imports (1973-1977). Exports show a steady increase from 4.4 in 1973 to 6.4 in 1977. Imports show a slight increase from 3.2 in 1973 to 3.1 in 1977.

Source: Bank of Japan—customs clearance basis. Total for first nine months.

Extension of MFA is agreed

THE WORLD'S major producers and consumers of textiles reached a last-minute consensus today on extending the international multibre agreement which is due to expire on December 31.

BOTB warns on foreign sales

BRITISH exporters face a harder task in foreign markets next year, and companies should keep wage awards in line with our main competitors to protect both domestic and overseas sales, Sir Frederick Catherwood, chairman of the British Overseas Trade Board said yesterday.

Mediterranean dry dock plan

ARAB OIL ministers began arriving here today for a regular meeting of the 10-member organisation of Arab Petroleum Exporting Countries (OAPEC) overshadowed by preparations for an international price-fixing conference.

Shah urges trade group

THE SHAH of Iran has proposed a common market of five countries—Iran, Pakistan, Afghanistan, India and Bangladesh. He has conveyed this proposal to the Prime Minister, Mr. Morji.

Japanese export orders for ships hit three year low

SHIPBUILDING ORDERS received by Japanese shipyards of last fiscal year, the association from foreign owners in November fell sharply to ships totalling 29,000 gross tons from 20 ships totalling 273,000 tons in October, the Ship Exporters Association said.

Motor sales increase

NISSAN MOTOR vehicle production in November totalled 110,675 units, down 1.3 per cent from a year earlier but up 4.2 per cent from the previous month.

Siemens in N-talks with China

SIEMENS'S SUBSIDIARY Kraftwerk Union will continue talks with China on co-operation in the field of nuclear power. China expressed interest in German nuclear technology during a trip to China this month by German economic delegation, with units of 900 to 1,000 megawatt capacity being mentioned the company said.

Whessoe in Brazil

Whessoe Heavy Engineering, part of the Whessoe Group, has won two contracts for the construction and assembly of large units for a blast furnace complex in Brazil. The order, awarded by Davy Ashmore International and others at Elm, cover contracts to be built for ACOMINAS at Ouro Branco near Belo Horizonte in the state of Minas Gerais, Brazil.

Peugeot considers Pakistan plant

THE FRENCH car company, Peugeot, is considering setting up a manufacturing plant in Pakistan. The National News Agency, quoting sources close to Peugeot, says an executive from Paris was in Karachi last week to explore the possibilities.

Oil dumping

Gulf Oil said its chemicals unit filed a complaint with the U.S. Commission of Customs seeking remedial action against imports of cumene, a type of oil used to benzene, from Europe under anti-dumping laws. Reuter reports from Washington, Gulf said imports of cumene used in the manufacture of phenol and acetone are unprofitably priced and have severely damaged domestic producers.

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# WHAT NEW YORK OFFERS YOUR BUSINESS, THE REST OF AMERICA CAN'T.

John S. Dyson, Commissioner, New York State Dept. of Commerce



Leaving home and opening an office or manufacturing facility in a foreign land is no small business decision.

That's why you should know what New York State can offer you that no other state in America can!

We offer your company a total package of tax incentives, marketing opportunities, legislative support, plus we offer you the only international city in America: New York City.

### Two decisions you'll have to make.

The first decision you have to make about coming to America is obvious. It's the bottom line dollar and cents one. The other is more subtle. It's how the people you send to America are going to fit in here. Will they be productive? Will they be happy? But for the moment let's talk about your first decision first.

### Tax advantages most states don't have.

In New York State, corporate income tax is for most companies on net income alone, which means a company pays only on its profits, so you only have to pay income tax when you make a profit.

In New York State, we don't tax companies on personal property such as machinery, equipment and inventories. This alone could save a company thousands and thousands of dollars in taxes.

Connecticut and New Jersey plus 44 other states do tax some form of manufacturers' personal property.

In New York State, we permit multi-state companies to allocate sales receipts on a destination basis, so only receipts from sales within New York State are allocated for tax purposes.

### One of the best tax incentive programs in America.

No other state in America has more incentives than New York State.

In New York State, a company can get a tax break for purchasing new machinery, adding new employment and building new facilities.

In New York State, a company can get Job Incentive tax credits. Pollution Control tax credits. Capital investment tax credits. Local property tax exemptions, and even more.

In fact, in New York State a new facility could save a company almost 100% of its corporate state tax for 10 years.

### We'll prove we're better.

We'll prepare at your request a confidential tax comparison for your company between actual locations in New York State and any other state.

Last year we did this for a number of companies. In 88% of the cases we showed New York State taxes were lower. A good track record for any state.

### Our legislature has a mind for business.

Here are just a few of the changes the New York State Legislature made for business last year. For the first time since 1926, we permanently lowered the personal income tax rate in New York State. And we believe it will come down even more. We reduced the stock transfer tax. And we'll eliminate it by 1981.

And in New York City the bond transfer tax was eliminated.

### The biggest market in the world is all around New York State.

Within a near 750 miles of central New York State is 54% of the population of the U.S. and Canada. And 55% of the total U.S. and Canadian personal income.

That's an incredibly large and prosperous market in which to sell goods and services.

Within the same area is 55% of all the professional workers in America. 56% of all the skilled workers in America. And 54% of all U.S. college graduates.

That's a priceless pool of brains and manpower for any corporation to draw from.

Of course, New York State already has the greatest transportation systems, possibly in the world.

From its deep water ports to airports to rails to roads, so goods and services can be moved in and out of New York State faster and easier. Plus we have over one thousand choice industrial sites available all around New York State, over nine hundred alone are zoned for a minimum of 25 acres.

### We offer you one of the financial capitals of the world: New York City.

Certainly there's no other city in the western hemisphere that even comes close to what New York City has to offer.

It's the investment and financial capital of America. It's unquestionably the site of the largest money market in the world, with the infrastructure and communications network to support it.

And it is a city that has more international banks than any other city in America: two hundred and thirty-three representing sixty-five countries.

In addition three hundred of the four hundred and eighty member firms of the New York Stock Exchange are headquartered in New York.

Of course, virtually every country in the world is officially represented here.

And as far as international trade organizations go—their numbers are as numerous as their consulates.

You'll also find every conceivable marketing consultant, research firm and support organization right in the heart of the city.

Maybe all this explains why there are hundreds of major non-U.S. companies quartered in New York City, and why every year more international companies keep coming to New York City more than to any other city.

### The second decision.

#### It's as important as the first.

How your people will fit in when they come to America is important to know. It affects how well they'll perform.

When people from outside the United States come to New York City they not only feel excited, they also feel comfortable.

That's because this city is one of the great international cities of the world.

Maybe that's why international businessmen feel right at home here. Maybe that's why they're able to fit in so fast and get on with business.

For their children we have many fine schools that cater to international students. So they, too, can feel right at home.

For their wives the city offers hundreds of foreign,

social and cultural organizations. And we have the finest and most elegant shopping this side of the Atlantic.

And thousands of shops throughout the city carry an incredible array of imported foods and wines from every country in the world.

We have practically every newspaper and magazine from outside of the United States available at dozens of local newsstands.

And on those same newsstands you can buy any one of eleven non-English language newspapers that are printed right in the heart of the city.

But there is something more important that this city has to offer.

It's the challenge. The business excitement. The exchange of ideas between people.

It keeps executives on their toes. And that will make your company's operation here sharper. And keener.

With all the city has to offer, its fine restaurants, its night clubs and its theatres. And with all its fine housing, New York City is one of the least expensive cities to live in compared to the leading cities of the world. This is fact.

Not according to us. But according to Business International S.A., Geneva.

### A helping hand from professional people.

To make you feel even more welcome we have a group of businessmen and women who are specially trained at expediting international businessmen through the ins and outs of our state government.

And since these people have been trained as businessmen they make excellent representatives for you within the state government.

If you need help from any state agency or bureau they know whom to contact for you.

They'll help do all the burdensome paperwork and they'll help obtain all your state and local permits.

And if ever a snag should develop they'll help you negotiate an amicable solution.

We call these people "Red Tape Cutters." You can call them at this number: 212-949-9307 or 518-474-4110.

### Two free books that can make you money in New York and America.

Also, we've recently published two books that can give you more detailed information about our unique business opportunities, "How To Do Business In New York State" and "Why It Pays To Do Business In New York State."

Write to the Governor, Hugh Carey, at the State Capitol, Albany, New York 12224 or contact me, John Dyson, Commissioner of Commerce, 99 Washington Avenue, Albany, New York 12245. For faster action call me directly at this number: 518-474-4100.

Or, if you prefer, contact Carlos Basaldua, Director for Europe, 25 Haymarket, London SW1Y 4EN. Tel 01-839 5070.

Come to New York. It can offer you what the rest of America can't.

# NEW YORK STATE

# Counties' Energy saving could net £370m. a year

BY DAVID CHURCHILL

**Counties' Energy saving could net £370m. a year**  
METROPOLITAN local authorities yesterday joined the bitter row between the counties and cities over the likely effects of the recent rate support grant (RSG) on next spring's rates.

**Counties' Energy saving could net £370m. a year**  
Mr. Huckfield said that the county could save as much as £370m. a year through energy saving technology. Mr. Leslie Huckfield, energy saving measures would amount to nearly 10 per cent of energy.

The Association of Metropolitan Authorities (AMA), representing large towns and cities which stand to benefit from the RSG, described as "misleading" calculations made by the rival Association of County Councils (ACC).

# Full audits protect the public, say Scottish accountants

BY CHRISTINE MOIR

**Full audits protect the public, say Scottish accountants**  
THE GROWING feeling that small companies ought to be exempt from the structures of "full dress" audits was opposed yesterday by the council of the Scottish Institute of Chartered Accountants.

Mr. Davison said "full-dress" audits involved small companies in unnecessary expense and delays and created problems of independence. He said small companies should be able to opt for a review rather than an audit. Mr. Davison said "full-dress" audits involved small companies in unnecessary expense and delays and created problems of independence.

# Birds Eye undertaking

**Birds Eye undertaking**  
BIRDS EYE, the frozen food subsidiary of Unilever, has agreed not to give discounts to retailers who promise space in their freezer cabinets for the company's products.

# Risks to nuclear plant assessed

BY LYNTON McLAIN, INDUSTRIAL STAFF

**Risks to nuclear plant assessed**  
EXTERNAL FLOODING and the release of flammable, explosive or toxic gases near nuclear power plant were the greatest potential external risks to such installations, according to Mr. J. V. Jeffery, of the Government's Nuclear Installations Inspectorate.

The potential threat of external flooding could be countered by careful consideration and evaluation of geographical sites with the aid of laboratory testing of model coastlines or estuaries. Oberon's potential risks to nuclear stations included external flooding, fractured turbine blades, debris from industrial explosions had been known to fly 1,500 metres.

# North Sea concern as divers pull out

BY KEVIN DONE

**North Sea concern as divers pull out**  
CONTINUING DEPARTURES of experienced divers from the North Sea are causing concern at the Department of Energy because of the growing risk to the safety of offshore operations.



Mr. Neil Henderson, chairman of the North Sea Divers Action Group: only in British are divers not taxed as self-employed.

Average earnings were probably nearer £10,000. The implementation of PAYE has hit hard, as until April the divers could claim tax deductions for expenses such as travel, telephone and equipment. Employing their wives as secretaries further increased the tax liability.

# State oil deals with Pan Ocean group to cover Brae Field

FINANCIAL TIMES REPORTER

**State oil deals with Pan Ocean group to cover Brae Field**  
THE PAN OCEAN group, which made the Brae field oil discovery, has signed participation agreements with the Department of Energy and the British National Oil Corporation.

spread structure at between 180m. and 560m. barrels. It is possible that the Brae field partners will try to link the development of the field with other neighbouring structures, such as the Ashted, Ashland, Canadian Ashland Oil, Sundingdale Oils, Siebens Oil and Gas, and Saga Petroleum. In addition, BNOOC Exploration has a 20 per cent interest.

# ANGLO-FRENCH INDUSTRIAL CO-OPERATION PLANNED

# Seven vital industries to be linked

BY OUR INDUSTRIAL STAFF

**Seven vital industries to be linked**  
PLANS FOR industrial co-operation which emerged from yesterday's Chequers summit meeting are likely to be taken a stage further in February when Mr. Eric Varley, Secretary for Industry, visits Paris to talk with the French Industrial Ministers.

It is not yet known, however, how the Industrial Co-operation Committee will work. It emerged yesterday morning as an idea from Mr. James Callaghan during the talks and will primarily be staffed by senior civil servants. The main Ministry in Britain involved will be the Department of Industry, whose permanent secretary, Sir Peter Carey, has been having regular talks with his opposite number in Paris for some time.

# 'No evidence' of pollution harming marine life

BY OUR SCIENCE EDITOR

**'No evidence' of pollution harming marine life**  
THERE WAS no evidence that pollution had harmed marine life, according to a report by the Ministry of Agriculture, Fisheries and Food.

# Tate and Lyle seeks order to stop programme

BY MARK WEBSTER

**Tate and Lyle seeks order to stop programme**  
TATE AND LYLE was yesterday seeking an injunction to prevent the production of a documentary on life in South Africa.

He agreed that three black views had been removed after requests from the Labour Party. He said that the three films had all been completed through a black interpreter and it was just conceivable that he had given them false ideas.

# Channel sea-bed power supply

BY DAVID FISHLOCK, SCIENCE EDITOR

**Channel sea-bed power supply**  
YESTERDAY'S PROMISE from the Prime Minister that the British and French governments will build a 60-kilometre sea-bed power cable, provided it was commercially satisfactory, follows three years of discussions between the two countries' main electricity utilities.

of 60,000MW with a French grid of about 50,000MW (interfused with other European nations). The over-riding significance of using a d.c. link between these two big alternating current networks is that it is so easily controllable—"like a tap," as one engineer put it.

# Another record year for Bell Lines

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

**Another record year for Bell Lines**  
BELL LINES, the short sea operator, has had another record year, with cargo volumes up 16 per cent on last year's total of 1.25m. tons.

# Racial trial accused tells of kangaroo court

THE FORMER managing director of the Racial group told an Old Bailey jury yesterday that there was a "kangaroo court" atmosphere when he met Board executives about payments made to an army officer.

Mr. Wellburn and Mr. Nurdin both say payments to Lt. Col. Randel were made with the approval of Mr. Ernest Harrison, former Racial director, of financial group chairman, but Mr. Harrison has denied this.

# Fewer children take school dinners

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

**Fewer children take school dinners**  
LESS THAN half the pupils attending State schools in England are paying for school dinners following the price increase imposed by the Government this summer, according to Miss Margaret Jackson, Parliamentary Under-Secretary for Education, in the Commons yesterday.

Miss Jackson disclosed in a written answer that only 3.93m. children, just under half of those attending the English schools, were paying for the dinner when a check was made in October. This compared with 7.72m. in 1977, when 58.8 per cent of total attendance—when a similar check was made in October 1976.

# Air fares defended

SCHEDULED AIR FARES in a profit on their European routes are not too high in relation to costs, the Association of European Airlines argues in a new study published after considerable criticism of fare levels.

Mr. Wellburn said that the Racial group had authorised the payments to Lt. Col. Randel, 40, of the Royal Signals and Garrison Officers' Mess, Aldershot, is another defendant.

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# Ford to modernise tractor plant

By Stuart Alexander

**Ford to modernise tractor plant**  
FORD is to spend £12m. next year on modernising its Basildon tractor plant in Essex. About £5m. of it will be spent on new machinery.

As well as both build-up and knocked-down tractors, the Basildon plant supplies engines and hydraulic equipment to a sinter plant in Antwerp, which in turn supplies rear transmissions and axles. It is hoped the engine production at Basildon can be increased to 600 a day.

There are some imports from eastern Europe, Germany, Italy and Sweden. Recently, Japanese have also established a foothold in the U.K. market with lower-horsepower models not offered by Ford.

# Fewer children take school dinners

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

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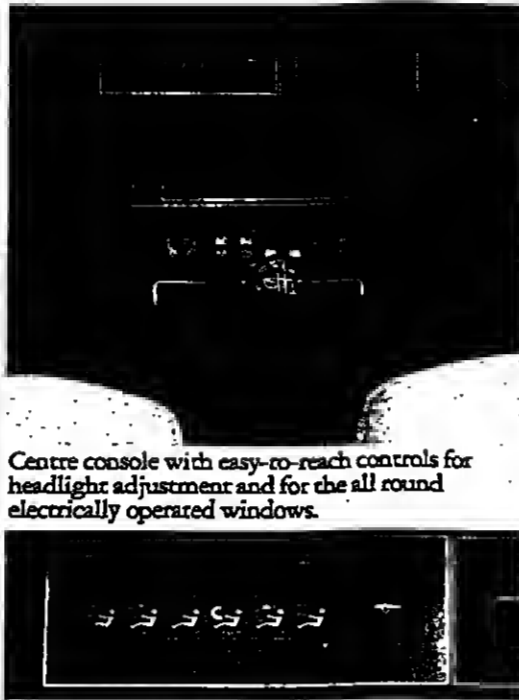


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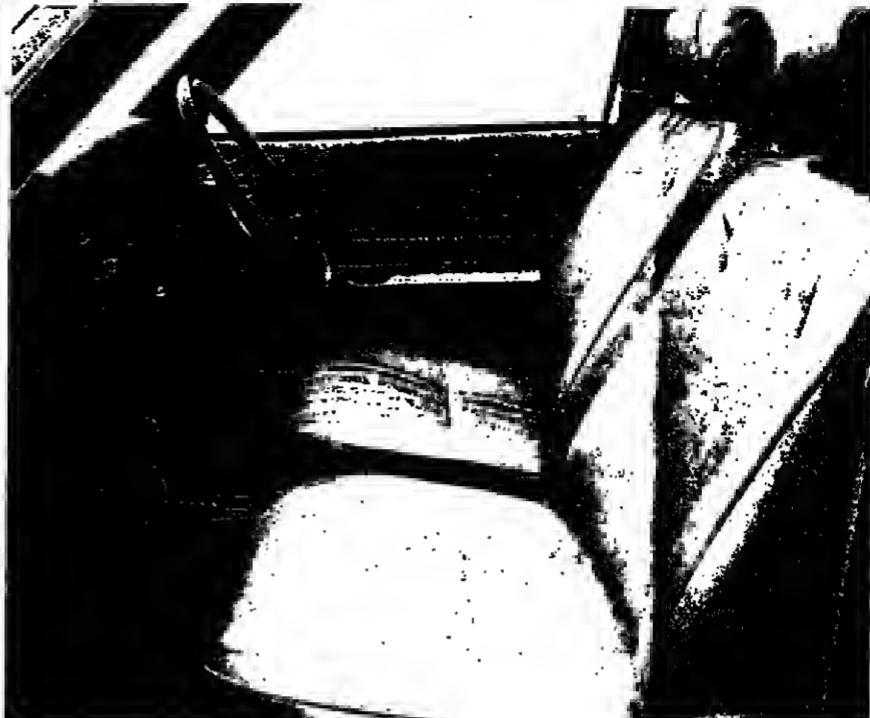
# Peugeot 604. Sumptuous surroundings are standard.



Power assisted steering removes pointless effort from driving, while retaining vital feel.



Centre console with easy-to-reach controls for headlight adjustment and for the all round electrically operated windows.



Deep, luxurious front seats with integral head restraints are upholstered with soft velours or optional leather.



Rear seat passengers have more head and leg room than in almost any other luxury car.



A central locking system provides instant, fuss free security at the touch of a button. Subtly tinted glass all round.



Also electrically operated, the sliding steel sunshine roof is standard on all 604 models.



Twin dip and main beam high power halogen headlights adjustable from the driver's seat.



For additional safety, rear light clusters incorporate high intensity fog lamps.



## 604. The best Peugeot in the world, for £6,695.

Prices of the superb 604 start at £6,695 (including Car Tax and VAT) and include: electrically operated sunroof, all round electrically operated windows, tinted glass, power assisted steering, interior headlight adjustment, central locking system, rear fog lamps, metallic paint finish. Optional extras include: leather upholstery, automatic transmission, air conditioning, Rouge Amaryllis paint finish (as on car shown). Delivery and number plates extra. Price correct at time of going to press. Major service intervals every 10,000 miles (intermediate oil change every 5,000 miles). Fuel consumption (according to French Government test procedures): urban motoring-17.6 mpg, at constant 56 mph-31.4 mpg.

- I am interested in the Peugeot 604, please send me a brochure.
- I am interested in duty free purchase for re-export.

Name ..... Address .....

Send to: Peugeot Automobiles (UK) Limited, PO Box 2, Liverpool, L4 1UR Tel: 01-993 2331 (London office)

HOME NEWS

Brighter future for building industry-NEDO

BY LYNTOON MCLAIN, INDUSTRIAL STAFF

THE WORST of the recession in Britain's building industry may be over according to the National Economic Development Office.

Brighter prospects for the economy as a whole underlined the optimism noted in NEDO forecasts issued yesterday.

Big drop forecast in new private homes

FINANCIAL TIMES REPORTER

NEW BUILDING work on private sector houses is likely to fall substantially this year, according to statistics given yesterday by the National House-Builders Council.

Thalidomide 85 left out

IMMEDIATE ACTION is needed to settle the cases of 85 thalidomide children still outstanding, Mr. Jack Ashley, MP, who campaigned for the original settlement for such children in 1973, said yesterday.

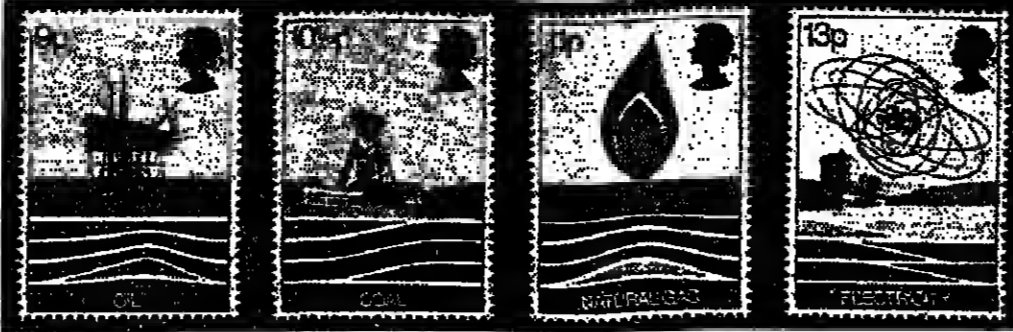
Industry offered student courses

COURSES to allow young business managers to meet potential recruits in universities are being organised by the Careers Research and Advisory Centre, of Cambridge, as part of a programme to link industry with education.

APPOINTMENTS

Senior executive changes in C.T. Bowring group

Mr. Peter Bowring is to become chairman of Bowmaker on January 1 and will take over the chairmanship of the parent concern C. T. BOWRING AND CO. after the annual meeting in May.



Power in the post

The first special stamps to be issued by the Post Office in 1978 will highlight the nation's energy resources: oil, coal, natural gas and electricity.

Firm verdict on third London airport urged

BY DAVID CHURCHILL

A FIRM decision on a third London airport should be taken before any new terminal was opened at Heathrow Airport, the Greater London Council urged yesterday.

EEC scheme for Irish border communications

BY OUR BELFAST CORRESPONDENT BELFAST, Dec. 13.

AN EEC report, which proposes a £50m. scheme to develop cross-border communications in the north-west of Ulster was formally released yesterday.

Pension trustees face liabilities

BY ERIC SCHMEE

PENSION SCHEME trustees should be personally liable for damages that could arise from a breach of trust, warns Metropolitan Pensions Association, a leading firm of pension consultants, in its latest review of the employee benefit field.

Concorde settlement hopes rise

By Our Aerospace Correspondent

AVIATION officials in Singapore yesterday seemed more optimistic of an early settlement of the dispute with Malaysia which has threatened continuity of Concorde flights between London and Singapore.

Hopes have risen following a statement by the Malaysian Minister of Communications, Tan Sri V. Manickavasagam, that his government was 'always prepared to talk' to British officials about the ban on Concorde flying through Malaysian airspace.

Cash call to study rheumatism

Financial Times Reporter RHEUMATIC diseases could be better by more investment in research, says the first review of rheumatism and arthritis research, published yesterday.

The report from the Arthritis and Rheumatism Council (ARC) and the British League Against Rheumatism (BLAR) marks the end of World Rheumatism Year.

LABOUR NEWS

Pit walk-out against Left line on output schemes

BY PAULINE CLARK AND RAY PERMAN

MORE THAN 1,100 miners walked out of Solihull Colliery, central Scotland, yesterday in protest at a claim by Mr. Mick McCahey, vice-president of the National Union of Mineworkers and its Scottish president, that all participants in this week's Scottish delegate conference were in favour of industrial action against local productivity schemes.

The walk-out came as another major sub to Left-wing miners' demands who have tried to rally 'grass-roots' support against pit incentive schemes so that they can push ahead more forcefully for a straight £135-a-week wage demand.

Following the UNM executive decision last week to allow area productivity deals, miners in several key areas have decided to go ahead with local incentive schemes.

Lorry strike threat over Europe rule

BY OUR OWN CORRESPONDENT

ABOUT 5,000 Glasgow lorry drivers have decided to strike if they do not get an offer similar to that for 15 per cent. recently agreed by West Midlands lorries on long-distance routes.

Unions to leave rubber industry joint council

BY PAULINE CLARK, LABOUR STAFF

UNIONS negotiating pay rises for some 40,000 workers in the rubber industry plan to announce formally to-morrow their withdrawal from the industry's joint council.

The unions claim that current pay talks have broken down because of the employers' insistence that they pay 10 per cent. more of their 1977 pay increases.

High Court test case on fair pay law

A PAY parity ruling in 19 of 137 members of Mr. C. Jenkins, Association of Sea Fish, Technical and Marine Staffs is to be the subject of a High Court test case.

Grunwick man's 'conclusions'

FORMER Grunwick accounts assistant, Mr. Rasheed Mohammod, was found to be wrong when he claimed his boss, Mr. George Ward, had 'engineered' the arrest of four pickets, an industrial tribunal in London was told yesterday.

Jetsave to offer £179 holiday

Financial Times Reporter: JETSAVE the cheapfare transatlantic charter operator is to offer a six-night holiday in New York, including return air-fare, for £179 next year.

Union's power in the balance

BY NICK GARNETT, LABOUR STAFF

THE NATIONAL ballot, due to close in a week's time, for one by the Right with the outsider, position on the executive of the Union of Construction, Allied Trades and Technicians could be a pointer to the way the political wings within the union's ruling echelons might change in the long term.

ACAS to intervene in Raleigh dispute

By Peter Cartwright, Midlands Staff

HOPES of settling the 18-week strike by 4,800 Raleigh, Nottingham, T.1. Raleigh, Nottingham, has already cost the company well over £2m. in lost output, toys, cycles and components.

National officers of the unions involved - all of whom have made the strike offer will be meeting tomorrow to determine if ACAS will intervene.

Senior executive changes in C.T. Bowring group

Mr. Peter Bowring is to become chairman of Bowmaker on January 1 and will take over the chairmanship of the parent concern C. T. BOWRING AND CO. after the annual meeting in May.

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PARLIAMENT and POLITICS

MPs DEBATE VOTING SYSTEM FOR EUROPE

Regional list speedier and fairer, says Rees

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE BATTLE over the voting system to be used for direct elections to the European Parliament... Mr. Rees said that the regional list system is appropriate for the European Assembly...

U.K. I believe that the regional list system is appropriate for the European Assembly... Mr. Hurd said that the regional list system is appropriate for the European Assembly...

High wage settlements 'threaten tax cuts'

BY IVOR OWEN, PARLIAMENTARY STAFF

PROSPECTS OF further tax cuts helped to promote a recovery and a real rise in living standards from that situation... Mr. Callaghan stressed: "If we are to get a reasonable settlement on pay during the next 12 months there could be further tax remissions and these, together with the fact that we are now overcoming inflation...

Summit protest by Tory leader

MRS. MARGARET THATCHER hit out yesterday at Mr. Callaghan's two-day Anglo-French summit... She said she was not short of summits, not short of decisions on co-operation, and not short of summit statements...

Booth urged to convert overtime into new jobs

THE GOVERNMENT was urged to bring in new laws to make workers take time off instead of payment for overtime... Mr. Booth said that the Government should be able to give a clear undertaking on this point...

Mr. Booth said the Government was not showing any reluctance to increase public expenditure as soon as it had the income to do so... Mr. Booth said that he was on the side of the argument that the revenues should be used to increase jobs and reduce the level of unemployment...

Heath appeals for PR support by Tories

BY IVOR OWEN, PARLIAMENTARY STAFF

AN APPEAL to Tory MPs to support the regional list system... Mr. Heath said he could see one single disadvantage in the Conservative Party's list of view...

Mr. Heath said it was difficult to revive the regional list system... Mr. Heath said he could see one single disadvantage in the Conservative Party's list of view...



Mr. Edward Heath

Foolish to change, says MP

By John Hunt

MR. FRED WILLEY (Lab., Sunderland N.) moved an amendment seeking to strike out the regional list system and leave the simple majority system in the Bill... He accused the Government of "dithering and procrastination" over the direct elections legislation...

Grunwick chief considers dispute over, says Gorst

THE COMMONS was told yesterday that the Grunwick dispute is over so far as the company's managing director, Mr. George Ward, is concerned... Mr. John Gorst, (C. Hendon N.), who advised Mr. Ward during the dispute, maintained that it was now up to the trade unions involved to recognise this fact...

Kidney donors debate planned

ARGUMENTS FOR and against amending the law on donation of kidneys for transplant will be set out in a Health Department discussion document to be published next year... Mr. Roland Moyle, Minister of State, Health, said in a Commons written reply to-day...

New fingerprint system

NEW £2.5m. fingerprint computer system at New Scotland Yard will provide automatic facial comparison of the fingerprints of 2.2m. convicted people... The annual running cost of the system would be £330,000 when fully operational.

Strike families get £1.3m. Killer dolphins denial

FAMILIES OF people on strike received £1,325,833 in supplementary benefits in the first 10 months of this year... The U.S. Government has no intention of bringing killer dolphins to Holy Loch in Scotland to protect its nuclear submarines...

Three Scottish colleges to stay

THREE SCOTTISH colleges of education whose future was left in doubt by proposals earlier this year for a cut in teacher training are to be retained... Mr. Bruce Millan, Scottish Secretary, said in the Commons that the colleges could continue with reduced student numbers...

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# FINANCIAL TIMES SURVEY

Wednesday December 14 1977

## Flagship of national recovery

# Swedish Engineering and Shipbuilding

This year's devaluations of the krona have gone part of the way towards restoring the competitiveness of Swedish engineering and shipbuilding in the world market—but as this survey by our Nordic Correspondent WILLIAM DULLFORCE shows, the problems in these vital industries are complex, and structural changes may be needed.

SWEDISH ENGINEERING has had a great challenge thrust upon it. Politicians, trade union leaders and economists have unanimously designated it as the locomotive that will pull the economy out of recession. The burden of responsibility is even greater. The steel industry is in process of attachment: the wood supply limits the expansion of the west-based industries; so the engineering companies are being asked to generate the extra exports Sweden needs to correct its plummeting payments deficit, meet future foreign debt payments and underpin its citizens' high living standards.

What are the prospects? Good, if one looks at the engineering industry's past record and at the vigour with which some of its flagships—SEA, Electrolux, L.M. Ericsson, Alfa-Laval, Sandvik—have been coping with the current hard times. But there are also several negative factors. The shipyards, which in 1975 still contributed 10 per cent of engineering exports, are in crisis and capacity is being cut back. Both automobile manufacturers, supplying some 16 per cent of engineering exports, are making a loss on their car production.

Together with the rest of Swedish industry the engineering companies' profit and export receipts have been reduced. The disproportionate rise in their labour unit costs between 1974 and 1976. The gap to competing foreign industries has not only partially restored by a devaluation of the krona this year. Swedish engineering lost some 15 per cent of its export market over the past two years and has even lost some ground to foreign competition in its home market. This is

way has to be made up before it can start expanding. The ability of the engineering companies to assume the responsibility laid on them is, thus, an open question. It depends partly on factors external to it, such as a world recovery and the Swedish government's success in bringing about a re-allocation of resources to production. Within the industry itself the discussion about what needs to be done has intensified this year—along lines already trodden in other West European countries. Some experts, alarmed that Swedish engineering is losing its technological edge, want a bigger effort made on the research and development side and a greater emphasis within company management on product development. But Mr. Nils Aastling, the Industry Minister, returning from a trip abroad, warned the companies that their marketing and sales techniques were deficient, a view echoed by the unions.

### Report

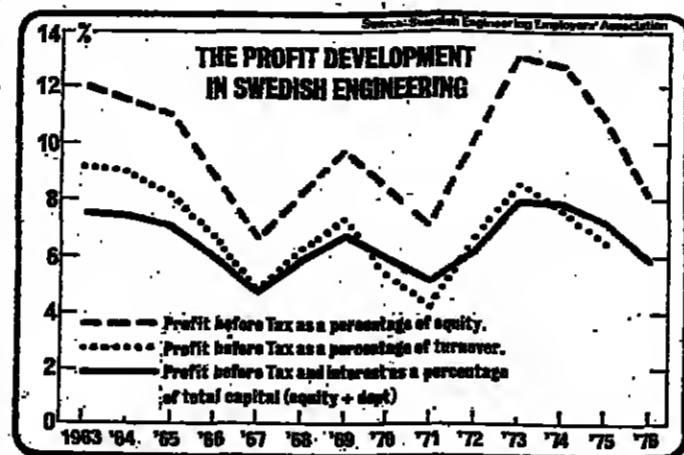
A good starting point for analysing the situation is the annual report on its members' finances which the Swedish Engineering Employers' Association has been making for the past 14 years. Profitability has decreased rapidly since 1974. Among the 240 companies surveyed the average pre-tax return on equity went from 13.1 per cent in 1974 to 7.5 per cent in 1976, as a percentage of turnover pre-tax earnings fell from 7.2 to 4.5.

Analysing the report in Skandinaviska Enskilda Banken's quarterly review, Mr. Olof Hedengren, the Engineering Association's chief economist, and Mr. Birger Hellstrom of the Swedish Employers' Association found that after eliminating tax and inflation 1976 was the worst profit year for the engineering companies since the study started in 1963. The 1976 net profit margin was only two per cent. And 1977 is going to be even worse.

Measured in people employed, Swedish engineering has been shrinking since 1975, whereas the official long-term plan predicted unchanged employment until 1980. It lost 13,000 of its 430,000 employees in 1976, will lose another 15-20,000 this year and the Engineering Association anticipates a further fall next year.

Overall production will be down this year by some two per cent, and for the first time in many years' productivity declined last year. The engineering companies' stocks in the middle of this year were equivalent to about seven months' production or more than one month larger than normal. Industrial investments will fall by 15 per cent, this year and probably by a similar amount in 1978.

And yet perhaps the most alarming indicator is the Association's activity index which correlates with industrial production in the OECD bloc. This shows that since the middle of 1960s Swedish engineering employment, the policy of pro-



has consistently followed the OECD trend with a one-year time lag—until 1976. The Swedes have not followed the upturn in OECD activity which started in 1975; instead their curve has continued to plunge downwards. Hedengren and Hellstrom predicate that to maintain unfurled employment in the engineering industry must aim at a seven per cent annual growth in both output and real capital. Assuming a yearly eight per cent rise in prices, they calculate that these targets require an average return on company equity of 12-13 per cent. This compares with the 7.8 per cent achieved last year and the certainty of an even lower return this year.

There are some qualifying features. Despite the fall in employment, the policy of pro-

Socialist government done to help build that platform? It has devalued and reduced the company payroll tax by 2 per cent from January 1 with a further 2 per cent cut to come. It has also produced a bill giving the small companies a Kr.1bn. (£115m.) capital injection in terms of tax relief and new credit facilities.

Otherwise, there has been muted but waxing criticism about the Kr.12bn. (£1.38bn.) it is injecting into unprofitable industries such as shipbuilding, steel, and textiles, in order to maintain employment. Dr. Marcus Wallenberg, Swedish industry's "grand old man," has said, "We want innovation not subsidies," while Mr. Pehr Gyllenhammar, Volvo's managing director, presenting his company's poor third-quarter report, suggested that the Government would do better to back expansion in companies which are still profitable.

### Contrast

The non-Socialist coalition, in contrast with some West European labour regimes, has accepted the commitment to full employment of its Social-Democrat predecessor. Visible unemployment is still around the 2 per cent mark but the failure of the stock-producing programme is putting increasing strain on the economy and on company finances. The government sees the employment subsidies as a political necessity. In economic terms it argues that its support for the declining in-

dustries is intended to provide an orderly reduction in their capacity and a release of resources to expanding branches.

The Small Business Bill is the first part of a four-stage programme sketched out by the Ministry of Industry. The second stage comprises various bills designed to give financial backing for structural changes in steel and shipbuilding; it includes the commission appointed to report on the automobile industry after negotiations for the merger of Volvo and Saab-Scania had broken down this year. For the third stage a Bill designed to stimulate technical innovation and development is being written and finally the non-Socialists hope to produce a long-term industrial policy Bill in 1979, the year of the next general election.

If one combines the latest economic forecasts and political opinion polls, which give the Social Democrats a strong lead, there must be strong doubts whether the present Government will survive to implement any industrial policy it may evolve. There is at any rate a need for a consensus about Swedish industrial strategy and in particular about which engineering branches shall get the available resources.

The prolonged recession, which has resulted in a decline in GNP this year for the first time since the war, has been a shock to Swedish industrialists and politicians alike. It has ASEA offers complete electric

exploded a certain complacency. In particular it has concentrated attention on the encroachment being made within traditional Swedish fields not only by the Japanese but by the South Koreans and other developing countries. These fields comprise not only special steels, shipbuilding, textiles and cars, but, for instance, even workshop machines. The South Koreans are now producing machinery which is as efficient and considerably cheaper than the Swedish.

A consensus among industrialists and politicians is already in the making. It is accepted that Sweden must maintain advanced, competitive technologies in specific fields. Some of these are obvious because Swedish companies are still competing well within heavy electrical equipment and high-tension transmission (ASEA), telecommunications (L. M. Ericsson), roller bearings (SKF), dairy and farm product systems (Alfa-Laval) and cement carbide products (Sandvik and Atlas Copco). But there are at least question marks over some major branches, cars, for instance, if not trucks. And what is to fill the gap left by steel and shipbuilding? Again there is general agreement that Sweden needs to stay in the forefront in data-processing but what about nuclear engineering and aircraft manufacturing?

Sweden can hardly hope to export nuclear technology, if it cuts back its own nuclear power programme as prime minister Thorbjörn Fälldin and his Centre Party want to do. Government economies will most likely prevent Saab-Scania from getting the order to develop the BSLA attack/trainer aircraft. In both instances there could be a waste of technology, sedulously built up over the last two decades.

The questions themselves highlight the demand for structural changes within Swedish engineering, which has been thrown up by the recession but is really prompted by long-trends in the world industry. Swedish thinking about the direction of the required changes and about which branches offer the best growth prospects still seems to be rather hazy. On the other hand the Swedes are drawing conclusions from their successful companies.

Most of them now purvey systems rather than individual products or product ranges, and ASEA offers complete electric

CONTINUED ON PAGE IV

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SWEDISH ENGINEERING II

# Technology battles to keep pace

"WE MUST stake more on development, Kr320m. on basic quality in education and train research and Kr220m. for capital more technicians. A larger costs. It was supplemented by share of our resources must go State expenditure of close on to basic research at the universi- Kr1.2bn., in which the share of ties and to research and develop- basic research was much larger. ment within companies... we Is this expenditure enough for must reward invention. If we a country whose economy is so continue down the path of sub- export-orientated and which sidies, the whole of Sweden runs must therefore be techno- the risk of becoming a sheltered logically competitive? Because workshop with steadily falling in all research work no statisti- standards—a museum shored up for a time by taxation."

This warning was delivered recently by Dr. Marcus Wallen- berg, the dominating figure in Swedish industry for the past three decades. It was one of the more forceful expressions of a growing perception among lead- ing industrialists that Sweden might be in the process of losing its place among the world's leaders in technology.

This is obviously not true of all fields. A decade ago the fortunes of L.M. Ericsson appeared to be on the wane; it then produced its computerised AXE telephone exchange system and has won major contracts from under the nose of the American giant ITT. ASEA's high-tension technology enables it to compete successfully in the American heartland. Svenska Flaktt sells its air-conditioning and pollution control equipment world wide. The list could be lengthened.

## Overtaken

But there are also instances where Swedish technology has been overtaken—this is most obvious being in the production of special steel, once a Swedish speciality. Within the engineering industry the present setbacks to exports, production and profits have prompted the feeling that the country needs to revive the inventiveness and enterprise of earlier years, which produced SKF's ball bearings, Alfa-Laval's milk separator, Swedish Match's safety match and the condenser cooling apparatus of the Electro- luk refrigerator.

Both Government and industry have started to focus on two targets: to revive activity among the small engineering companies as a seed-bed for new ideas and enterprise and to make more effective the research and development work in universities and companies. A Bill submitted to Parliament last month aims at relieving the smothering tax constraints on small companies and offers new credit facilities for developing ideas and products.

On the tax side the Bill corrects certain discrepancies in legislation which did not hit the large companies listed on the stock exchange as much as it hurt the small family companies. It reduces wealth, inheritance and gift taxation on the small company substantially, provides for the payment of inheritance tax over a 20-year period and extends the tax allowances on export credit costs. It is estimated that these measures will cost the Treasury about Kr500m. (£57m.).

The Bill will also increase the funds available to small companies through the regional development funds, which are to give priority to product development, marketing and the establishment of new companies. Local authorities will get more State money to build factories for hire and the investment funds activities are to be expanded so that they can offer small companies all-round service and advice. These measures are calculated to cost the State a further Kr500m., making up a Kr1bn. packet to stimulate small entrepreneurs.

The specific hopes attached to the Bill by the non-Socialist Government are that it will promote investment by small companies and increase regional employment. But it is also intended to create a new climate for family business and other small enterprises which could encourage young engineers and researchers to start up on their own. It might be said to offer a much for nourishing new ideas.

However, it is not expected to have a short-term impact on the export markets or to help pay off Sweden's new foreign loans. For this Sweden must rely on the research and development effort within the universities and major companies. Three engineering sectors—transport, electrical equipment and mechanical engineering provide two-thirds of Swedish industry's total spending on research and development. Four companies—be completed by the middle of Voivo, Saab-Scania, ASEA and February, but it is already evident that the Government is reluctant to sink further funds into the yards and the likelihood is that at least one more, possibly two of the big yards are available, was just over Kr3bn. (£356m.). This breaks

Of the four big yards operated down into Kr2.52bn., spent on by Svenska Vary, it has already

## RESEARCH AND DEVELOPMENT EXPENDITURE IN SWEDISH ENGINEERING BRANCHES IN 1975 (kr.m.)

Branch	Total costs	Percentage financed from own resources	R and D spending as percentage of value added
Transport	755	64	1.5
Electrical equipment	708	91	1.5
Machines	589	88	1.5
Metal goods	117	84	1.5
Shipbuilding	45	76	1.5
Instruments	40	96	1.5

## RESEARCH AND DEVELOPMENT OPERATING COSTS FOR SOME SWEDISH ENGINEERING GROUPS IN 1975

Product group	R and D costs (kr.m.)
Telecommunications	304
Machine products	250
Automobiles	251
Other transport (aircraft, etc.)	278
Electrical products	218
Metal goods	177
Computers	90

currently operating under the STU-label on a branch basis would give way to two organisations, one for research and another to handle new ideas. The practical work should be more target-orientated, with specialised groups planning and starting up projects, clearly defined limits over a two-year's basis.

STU has about Kr200m. of public funds available. designed to carry work to prototype stage but the Government recognises that it frequently after the prototype stage that development goes out. Ideas on the subject in the Ministry of Industry still appear to be in process of formation but a requirement is seen to make it easier for the companies to devote more funds to developing prototypes in the production stage.

## Commission

Back at the Government level, the commission which has been studying the work of the Technical Development Board (STU) since 1974 has just handed in a majority report recommending that the Board be divided into two separate organisations, one to support the technical universities and institutes and one to finance inventors, basic company research and other customers. The 14 permanent boards

# Grim picture for shipbuilding

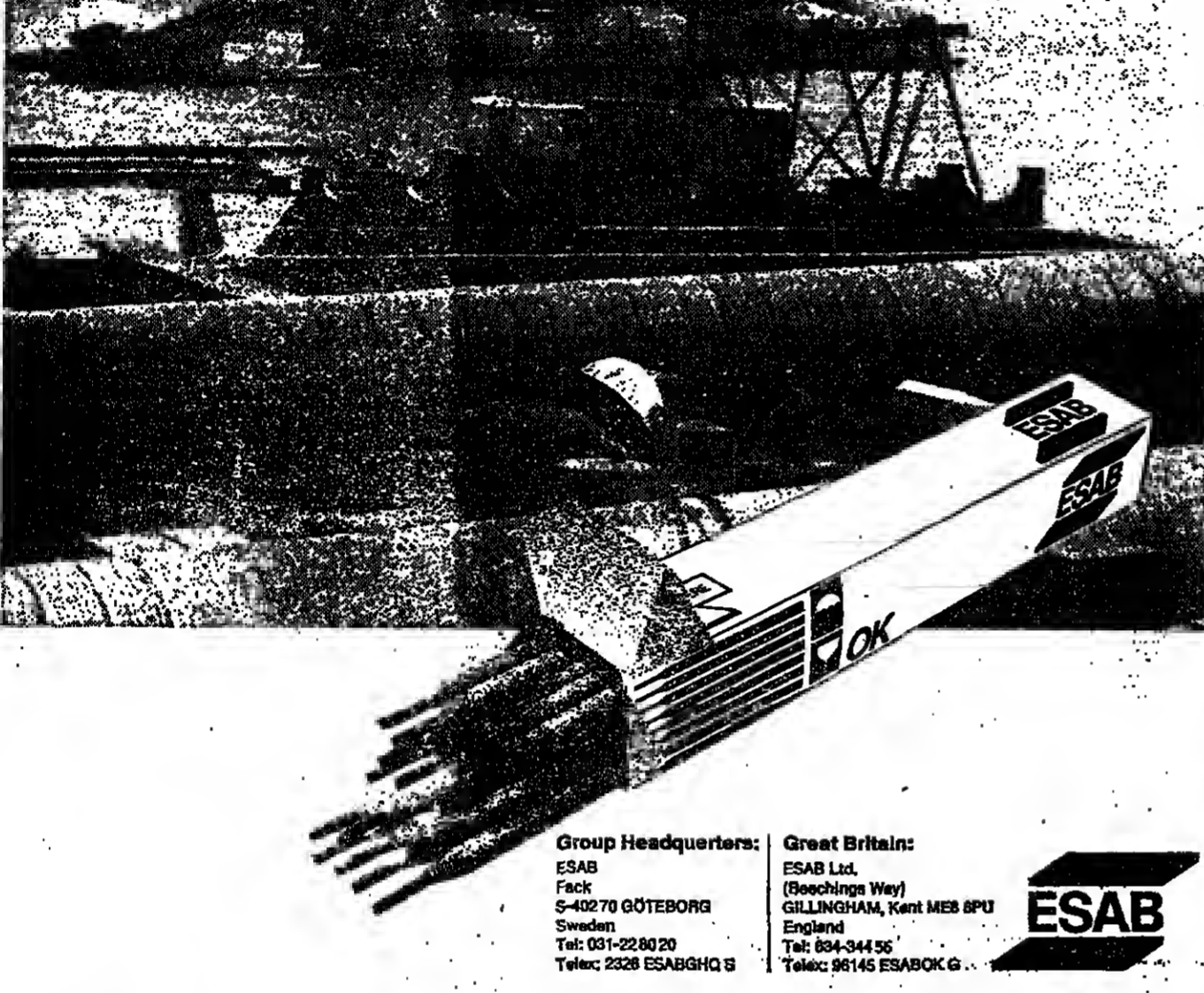
THE WORLD RECESSION has had a more savage impact on the shipyards than on any other sector of Swedish engineering. Three years ago Swedish shipbuilders were second only to the Japanese in tonnage built and felt second to none in both construction and production techniques. They were in the middle of an investment programme to enlarge the yard's capacity and improve efficiency. This year the state had to step in, extend its control of all the major yards with the exception of Kockums and obtain Parliament's approval for a capital injection of Kr4.8bn. (£550m.).

In November the management of Svenska Vary, the new state shipbuilding company, shocked the Government by announcing that it expected to make a loss of Kr1.6bn. (£194m.) in 1977 and would need a further share capital injection of Kr1.2bn. It estimated that it would make further losses of Kr1.5-2bn. in the three years to the end of 1980. At the same time Kockums is seeking a state credit guarantee of Kr500m. to enable it to build a third LNG tanker on its own account. The alternative is to close its yards or have it, too, taken over by the state.

The Government has set up six groups under a steering committee of five parliamentary under-secretaries to re-examine the prospects of Swedish shipbuilding and for employment in the industry. This study has to be completed by the middle of February, but it is already evident that the Government is reluctant to sink further funds into the yards and the likelihood is that at least one more, possibly two of the big yards are available, was just over Kr3bn. (£356m.). This breaks down into Kr2.52bn., spent on by Svenska Vary, it has already

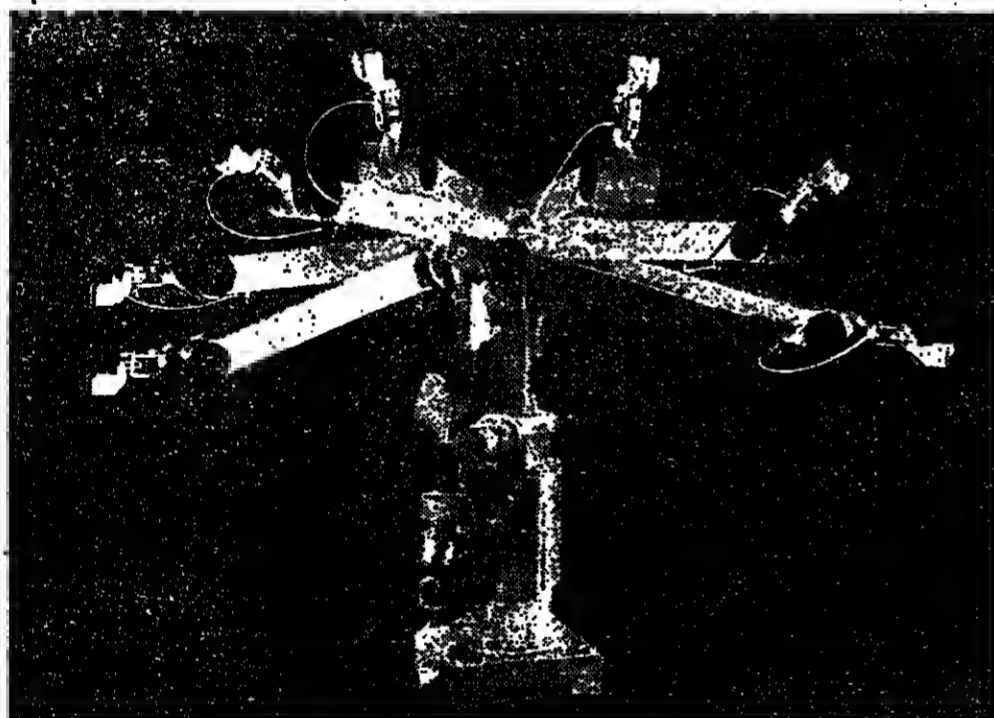
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# ASEA

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# Yards look for alternative work

IMPTED BY their shrinking order books Swedish shipyards have been examining possibilities of using their coormus steel-handling ability and the very advanced technological skill of their designers and workers to build structures. Previously had difficulty in penetrating the market for offshore oil operation and production platforms as opened up by North Sea stopments because of the size there of Norwegian-British contractors. But recently the Swedes have up with some innovative gas for floating gas processing platforms and systems. They have attracted interest could at least partially compensate for the slump in ship production.

Gotaverken, now a wholly-owned subsidiary of Svenska Varv, the State shipping company, and the newly-owned Kockums have years been operating industrial manufacturing divisions. Kockums has been led out into entirely new product areas such as machinery and transport equipment, computer and systems, the bio-chemical field and agriculture, and less easily adapted with shipbuilding. It is one reason why it has entered on promoting a \$500m. contract next year. The project aims at exploiting the import of the raw material in gas tankers, a considerable number of which

could be built in its own Malmo yard. Gotaverken's subsidiaries have operated with steam boilers and recovery units for the pulp industry, diesel engine production and aluminium construction products. Its Calor-Celsius subsidiary is the largest piping contractor in Sweden with long experience also in electrical installations. As a result Gotaverken, co-operating with the Danish company of Haldor Topsoe and calling on both Swedish and foreign component manufacturers, has been able to put together a group capable of producing and delivering floating processing plants on a relatively modest order from a Gothenburg company, Container Safe, for a "hotel," a floating hotel built on a self-propelled semi-submersible structure of the Norwegian Aker design and intended for service in the North Sea. It will have accommodation for 600 people, who can be moved daily to and from oil drilling platforms by helicopter or boat.

Gotaverken is still waiting for orders for its more ambitious projects but it is understood to be well advanced in negotiations with a Middle East customer for a natural gas liquefaction plant. It hopes to seal this potential contract on promoting a \$500m. contract next year. The project aims at exploiting the import of the raw material in gas tankers, a considerable number of which

their equipment account for less than half the estimated \$500m. contract price, which covers also design, preparation, tow-out, insurance and possibly some training of local staff.

Gotaverken has other barge-mounted processing designs in the pipeline, including one for an ammonia plant, which it presented at the Houston Fair in May. The rationale behind these constructions is that they have since considerably refined, make it possible to develop profitably natural or associated gas reserves which would be too small or too badly located to justify permanent, land-based installations. Gotaverken emphasises the flexibility of the systems built round modular designs which allow room for expansion or adaptation to local requirements.

Another argument in their favour is their cost effectiveness. To begin with, manufacturing and erecting the plant in the contractor's specialised workshops and yards reduces investment costs and construction time as well as start-up and maintenance expenditure. The lessening of the overall construction period in comparison with that of putting up a land-based plant also cuts interest

charges on capital and reduces the risk of cost escalation from inflation. These arguments have yet to be put to the test but have been sufficiently telling for at least one customer to enter serious negotiation.

Kockums has staked heavily on the construction of LNG tankers, a technique which it helped to pioneer in the late 1950s and 1960s and which it has since considerably refined. In 1969 the Malmo yard delivered to Phillips Petroleum and Marathon Oil two LNG vessels with a capacity of 71,000 cubic metres each based on the membrane system developed by the French Gaz Transport. These two ships, the Polar Alaska and Arctic Tokyo, have since made more than 130 trips each between Alaska and Japan and have surpassed their original operating estimates.

Kockums has since developed the Gaz Transport system on its own and is currently building two 133,000 cubic metres LNG vessels at a cost of over Kr.1bn., putting them among the world's most expensive ships. It has designs ready for carriers of 167,000 cubic metres and is preparing to build vessels of 200,000 cubic metres. This

is an extremely bold venture because the LNG carriers are being built to Kockums' own account.

Mr. Nils-Hugo Hallenborg, the managing director, arguing that only firms would build tankers or bulkers for stock in the present state of the market, believed that one way of keeping his yard in business was to build ships in which the technology was advanced enough to outpace the competition. A market was in sight as projects for the sale of liquefied natural gas approached fruition, in particular the sale of Algerian gas to the U.S.

The plan, its shipbuilding operation but designed to meet Prime Minister Thorbjorn Falldin's doubts about the nuclear energy programme, presented two alternatives at estimated costs of Kr.11.4bn. and Kr.9.1bn. for the total package. It also in theory spelled salvation not only for Kockums but for Svenska Varv, which would together take the bulk of the orders for the 15-22 LNG carriers required.

The Kockums plan was strongly criticised by Swedegas, the gas company in which the state has a half share. The government set up a special study group to report to its energy commission. For the moment it appears that the recommendation is likely to go against the Kockums project.

The Energy Minister and Swedegas have been negotiating with West Germany and the USSR for the import of more modest quantities of natural gas by pipeline. A plan for the import of natural gas from Nigeria will not be realised before 1983 or 1984.

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## Attraction

The attraction of this project for the customer is that he would get a functioning process plant, complete with infrastructure, delivered at a site, where no local infrastructure or technical skills currently exist. Gotaverken is reluctant to release full details while the project is still under negotiation, but it is understood that the plant would have a capacity of 200,000 barrels of products a day. Gotaverken estimates that it would need 23 months to complete the plant from the signing of the contract to the tow-out from Sweden.

The steel work would provide some 500,000 man/hours of work but the total project would give the Svenska Varv group as a whole 1.5m. man/hours work or roughly the equivalent of building three to four medium-sized tankers. The barges with

## Networks

Most of these plans have been delayed and President Carter has still to signal the go-ahead for the Algerian project. Mr. Hallenborg is running the risk of being too far ahead of his time. But in an imaginative effort to close the gap putting them among the world's Kockums earlier this year submittal to the government a plan for the import of Middle Eastern or North African liquefied gas and the construction of two gas distribution networks

## Shipbuilding

FINUED FROM PREVIOUS PAGE

was introduced it was seen as a bridging operation in a market recovery first in 1976 and then built by Kockums. At present 77. The Swedes also say the government seems to be in- they are not planning to d their present stock- ing programme, which will produce ships repre- ng a mere 0.1 per cent. nt world tonnage.

Kockums forecast in its eight-month interim report that it would make a loss of around Kr.100m. this year. Earnings of some Kr.72m. last year, will be lower. The group's industrial companies, which were showing a loss at the eight-month stage, are expected to recover sufficiently to equal last year's earnings of Kr.7m.

## Illustrates

The real trouble comes from the shipping company, which had lost Kr.71m. by the end of August. It illustrates another problem facing the Swedish yards. They are being forced to expand their shipping interests at a time of rock-bottom freight and tanker charter rates, in order to cope with newly built vessels, for which the owners cannot pay, and with their own stock production.

Gotaverken, the largest unit in Svenska Varv, through its subsidiary shipping companies, Zenit and Eldern, has interests in 16 vessels built or under construction. This year Zenit has had to increase its holding in the Teamship group, which operates six OBO ships built at Gotaverken in 1972-73, because of the financial problems of its partner, the Norwegian shipper Halfdan Ditlev-Simonsen.

Its fleet includes a 120,000-ton OBO ship built for Diamantis Lemos, which Gotaverken had to buy in at a Hamburg auction this year. Diamantis Lemos has refused even after arbitration in Gotaverken's favour to take delivery of two more vessels of the same type, while the shipyard's dispute with Libya over three tankers will be arbitrated in Paris this month.

To cap the Swedish shipbuilders' misfortunes, the Norwegian Government announced in November that it would refuse import licences for eight vessels at contract prices of around Kr.600m. ordered by Norwegian owners from Svenska Varv yards. The orders would benefit from the 100 per cent. credit and guarantee support the Swedish State is providing for Swedish owners.

The Norwegian Government felt this conflicted with OECD rules. At the time of writing this issue is still under negotiation in Oslo. If the orders go through, the Swedish yards would cut part of their stock production.

The outlook for Swedish shipbuilding is undoubtedly grim in spite of the fact that it operates some of the world's finest, most efficient yards. It is difficult to see how the new government study of the industry can be more than another exercise in crystal ball gazing, as long as the freight and tanker markets exhibit no real sign of recovery. The yards' attempts at diversification cannot significantly alter the situation before the government will have to decide on further cuts in capacity, which this time will almost certainly have to involve Kockums.

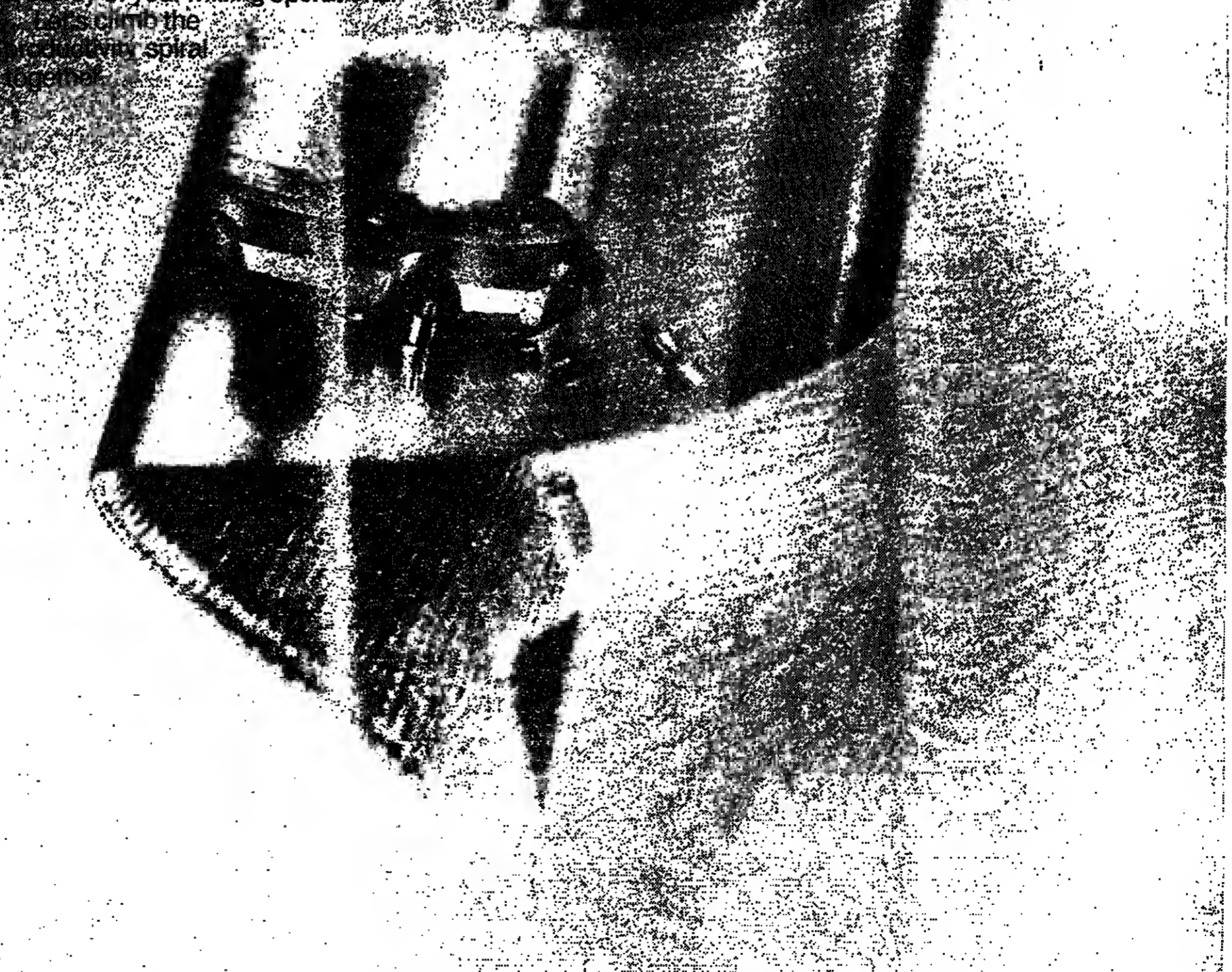
orders. Kockums has received an new order this year. It will estimate its last 355,000-ton tanker in 1978 and will then be led to building gas tankers on its own account. The Board so far undertaken to build 155,000 cu m LNG tankers at a cost of some Kr.1bn. and approached the government at credit guarantees to be able to build a third.

Mr. Nils-Hugo Hallenborg, the managing director, has benked vily on persuading the government to build a natural

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# SWEDISH ENGINEERING IV

## Environmental technology

SWEDEN CAN fairly claim to be among the world leaders in environmental engineering. It was one of the first countries to legislate against pollution and has enforced its legislation more swiftly than most. In some fields the Americans and Japanese may have more stringent regulations but Sweden is certainly near the head of the field in Europe. It has had outstanding success in cleaning up its lakes from pulp manufacturing discharges, in reducing air pollution and in improving industrial work environments. It was no coincidence that Stockholm played host to the first world environment conference in 1973.

In achieving this record Swedish companies have had to develop new techniques and systems. It has been estimated that Swedish industry invested about Kr.2.2bn. (£350m.) in environment protection during the five-year period 1969-74, equivalent to 5 per cent of total industrial investment. Capital expenditure has continued at roughly the same pace since with annual operating costs rising steadily from the Kr.1bn. to Kr.1.2bn. spent in 1974.

The pulp and paper industry alone spent about Kr.650m. between 1969 and 1974 to halve its discharge of pollutants into waterways and it has seen a boom in the development of enclosed production systems, recycling and waste recovery equipment. It would be odd, if engineering side did not pay off in the form of export orders, all the more so now that the EEC countries have started to

### Duckpond

There are several problems. One is what a leading engineer calls the "duckpond" mentality: Sweden's domestic effort has been dispersed among a fairly large number of companies which have not yet got to the point of uniting for an export drive. It is all the more important to do this in that the Swedish potential lies in the integrated systems they can offer.

Other factors which have so far handicapped the Swedes are the delays in enforcing anti-pollution legislation in some countries, during the present recession and national self-interest. The environment protection business is not a striking example of free trade, because it usually involves the spending

of much public money: its Kr.1.9bn. (£218m.) turnover, naturally state and local but expansion has been slowed by authorities look to domestic suppliers. Nevertheless, the reluctance of companies and Swedes believe that, possibly working with local contractors, plant during a recession. The export council has chosen to concentrate its promotion

One company which has made big business out of environment protection, energy technology has been described as one vast and resource recovery is pilot project because of the Svenska Flakt, which effort that has gone into quadrupled its annual turnover to some Kr.2.55bn. (£260m.) in the decade to 1976. Part of this increase derives from the acquisition of the Gadelius and trading company which operates in Japan and South-East Asia, but the fastest expanding part of Flakt's business has been on the environment side abroad. Its managing director, Mr. Bengt Berg, recently calculated that Flakt installations were collecting annually some 20-50m. different process components: dust and impurities in its customers' plants. Of this figure only 4-5m. tons concerned Sweden.

Flakt sells about three-quarters of its goods on foreign markets. It has the advantage of being an old hand in the business, having operated in the ventilation field for over half a century, but it has been quick to seize the opportunity offered by the growing worldwide investment in environment protection. Its engineering range is broad enough for it to be able to offer turnkey projects and complete systems. Its ventilation systems, for instance, are designed to give maximum heat recovery and energy saving.

Its project have included the installation of the world's largest pulp dryer in a Canadian mill, air pollution equipment for the giant Kama River truck factory in the Soviet Union, electrostatic precipitators for power stations in the U.S. and Australia and an air-conditioning system for a Prague department store. The company is now moving into energy recovery, which because of the money saving involved for the customer, could be another growth area.

In waste recovery Flakt has had an interesting pilot project running at Hogdalen close to Stockholm. This treats municipal solid waste, separating the contents by means of air, and development of Flakt's ventilation techniques which avoids water pollution. It is also one of the first methods to be able to cope with plastic as well as with paper and metals. The plastic is shrunk by heat from a dryer and then separated from the paper fibres in an air classifier.

P.L.M. the metal can and packaging company, has expanded into waste treatment and resource recovery by taking over existing firms an developing its own techniques. Its plan is to offer a complete service package to a local authority or industrial company. Waste treatment-to-day accounts for about one-third of

## Flagship

CONTINUED FROM PAGE 1

transmission systems Alfa-Laval has just won a turnkey order from Algeria for an oil-field service centre, including facilities which it cannot provide itself, but which it will sub-contract. Emerging is a strategy in which a big concern will make the initial breakthrough on an export market for the benefit of other companies as well as itself.

This naturally calls for a greater degree of co-operation among companies and it may be no coincidence if Swedish industry over the next decade starts to operate in a pattern resembling that of the big Japanese conglomerates. This trend would make it all the more surprising, if the merger of Sweden's automobile manufacturers did not after all come relative to size. Companies such as ASEA and Electrolux are already developing second generation robots.

The Swedish engineering companies could also have an experience of cost-reducing, A more sensitive issue is the expansion of production outside Sweden. This is particularly delicate at a time when employment within engineering is falling but the fact remains that several of the companies, which have come through the recession abroad more cheaply and close to their markets. Electrolux, which has been resolutely pushing forward on foreign markets through takeovers, has not only showed a good profit performance but has also boosted its

### PRODUCT STRUCTURE OF SWEDISH ENGINEERING EXPORTS

	Non-electrical machinery and appliances	Electrical machinery and appliances	Str.-Cars, vessels and buses	Other	Other transport instruments	Arms and munitions	Total
1965	627	3,231	1,169	932	1,480	379	136
1970	8	48	14	12	18	5	2
1976	1,180	6,145	2,612	2,468	1,834	914	371
%	7	39	17	16	12	6	2
1976	2,957	12,879	7,359	5,604	5,800*	2,052	1,179
%	7	33	20	14	15	8	3

\* This figure includes secondhand ships sold during the year to a value of over Kr.1bn. Engineering exports account for almost exactly half the value of all Swedish exports. Source: Swedish Engineering Employers' Association.

## Motor sector needs some changes

AT THE end of August Mr. Pehr Gyllenhammar, Volvo's Managing Director, announced that his company was breaking off merger talks with Saab-Scania, the other Swedish group producing cars and trucks. He regretted that the merger plan, which the two concerns' chairman and chief executives had announced four months earlier and which was "so important to the Swedish automotive industry and the future national economy," had not been completed.

To focus on the present standing of the Swedish automobile industry, one can quote other remarks by Mr. Gyllenhammar at that Press conference. Volvo's foremost hope had been that the merger would "demolish the two companies' vulnerability, and not only increase profit margins. Together the two concerns would have had greater room for manoeuvre. One could have switched from defence to attack on the international market."

For the truth is that the Swedish automobile manufacturers are currently on the defensive. They have been selling fewer cars, the upsurge in Swedish manufacturing costs has been squeezing their profits. They are meeting tougher competition within their chosen sections of the car market and their attempts to move into other areas have not so far been crowned with success.

If they are not yet in crisis, they certainly have problems and their future is by no means staked out. Their truck businesses are still doing well; they give a good return on capital, even if they have not met all their sales targets, this year. But both Volvo and Saab-Scania are currently running their passenger car operations at a loss. The government appointed a commission in October to examine the automobile industry and it is no secret that it expects the commission to recommend a merger. The powerful metalworkers' trade union

which also holds the Volvo-wagen/Andi agency for Sweden, reported a 14.5 per cent return on capital employed.

The Scania truck division headquarters at Soderstjerne is one of the main centres of resistance to the plan for a merger with Volvo. It produces engines and gear-boxes for the Saab cars and since the merger with Saab in 1969 its earnings have been subsidising the cars. The Saab car was an offshoot from the aircraft production, and, despite the brilliance of its engineering, it has failed to achieve the production volume required for economic viability.

The Scania men were, therefore, very sceptical to the plan for associating their profitable truck operation with yet another car business. Its cars were the main source of Volvo's profits during the 1950s and 1960s, when the world car market was expanding and its reputation for reliability and good engineering enabled it to take out higher prices in the "premium" end of the market. Saab was a smaller series, again its engineering qualities attracted a steadily growing market segment.

It expanded its truck and bus operations, stepped up research into collective transport systems, and in 1974 and 1975 put substantial capital into Volvo BM, the subsidiary producing construction, farm and forestry machinery. It also moved into the leisure field by acquiring sports equipment and small boat manufacturing companies.

With the exception of the truck expansion, the return from this heavy investment has been meagre. The premature launching of the 349 before all the faults had been ironed out resulted in a setback. Volvo has now sunk some Kr.450 (€51.7m.) into its Dutch factories. The 1977 production target is 64,000 cars, whereas an annual output of 100,000 would be required to reach the break-even point, and the Dutch Government, which has a 25 per cent holding in the operation, is being asked for more financial support.

After experiencing a profits slump in 1976 Volvo BM has seen its sales drop by 5 per cent during the first nine months of this year and appears to be heading for a loss in 1977. Volvo has been pulling out of its ventures in the leisure field. It has cut back heavily on its overall capital expenditure, took steps to reinforce its liquidity last year and moved into a defensive posture. The assembly plant it built at Chesapeake, Virginia, has been virtually mothballed and turned into a trans-shipment point for imports into the U.S.

Saab-Scania produced a better half-year report this year than expected, showing a fall of only Kr.6m. in pre-tax earnings on the consolidated account. The Scania truck division reported a 27 per cent sales growth but development on the car side has been weak despite a significant improvement in sales to the U.S. Saab stated in December that it would cut car output by 12 per cent, in order to clear the unsold stocks in the distribution pipeline. In September it announced the closure of its Belgian assembly plant.

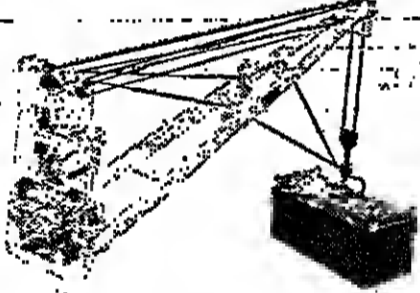
As with most big Swedish engineering companies it is difficult to determine to what extent the car manufacturers' problems reflect underlying trends and to what extent they are a result of temporary market conditions. It is clear that both Volvo and Saab at a watershed, where the producers are battling to maintain production volumes, are meeting sharper competition in their particular segments. The Swedish manufacturers more dependent than other exports.

Mr. Gyllenhammar points out that the ten per cent of the West German market controlled by Mercedes means annual sales of about 22,223 for the Swedish market, around 50,000 cars and Volvo's ports some 53 per cent. The high Swedish costs are squeezing their margins at a time when the assumption that they have technical superiority, a higher price and a longer life. A Saab scarcely expect to sell a volume at a price higher than that of a BMW 525. It is significant that Volvo has its price policy this year ahead of trying to meet profit margins it has lost to customers the full of the krona devaluation in hope of increasing sales.

The nub of the question is whether the technological development vital for both Volvo and Saab need "new models" have invested heavily in search and development. The capital resources to launch new cars, as long as they depend on the international capital markets, whose loss depends on profit performance. This year Saab has introduced its turbo engine, which has well received in the trade but it is incorporated in eight-year-old body. Volvo policy has always been a cautious technical improvement of its models with a change every decade or so the time is rapidly approaching when it needs to change its and 280 series more radical. It is introducing a diesel next year but more is required within the Swedish establishment there is impatience with Volvo's present strategy. It is felt Swedish engineering needs the knowledge needed for a radical advance in car technology, especially in the area of micro-computers and materials. The reason would seem to be that the capital required to launch such a car and the commercial risk involved.



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EDITED BY CHRISTOPHER LORENZ

# The Management Page

THE new British Ambassador to Washington may well have had the accounting profession in mind last summer when he explained the difference in the way the Americans and the British see a problem. The Americans, said Peter Jay, try to solve their problems; the British look for ways to live with them.

It takes better leadership to find solutions than it does to patch up a compromise, and good leadership is what is conspicuously lacking at the top of the British accounting profession today as it grapples with a number of important problems.

Even the compromises are unpalatable. The revolt by the rank and file of the English Institute against the Morpeth proposals seems to have induced paralysis of nerve among the leaders of the Accounting Standards Committee. If the Morpeth proposals can be limited for their subjectivity, as they can, then the latest efforts to deal with the problem of deferred taxation can only be described as an abdication of any attempt at objectivity.

And the ASC's recent posture on foreign currency translation is reminiscent of that of the man who starved to death because of his inability to see between the two bales of hay.

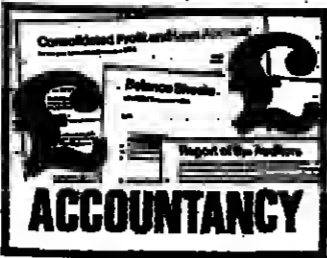
In its proposed standard on depreciation the ASC did grasp a nettle, and suggested that property companies should be required to depreciate their buildings. But in this case its solution was thwarted by the English Institute whose Council rank from a confrontation with property companies, despite the fact that all the other professional accounting bodies had already endorsed the ASC's proposals.

Indeed, as the collapse of the profession's integration scheme illustrated, the English Institute is an unhappy knack of pulling the rug out from underneath the other five bodies once they have committed themselves to proposals of benefit to the profession as a whole.

## Abolition

It is now well over two years since the profession finally embarked upon the task of defining its standards, and despite the impetus which ought to have been given by the London and County Securities collapse the first draft has yet to appear. Although the Americans managed to do this job 30 years ago the British attempt is apparently stalled over the question of whether the requirement for an audit should be abolished in the case of smaller companies. The leadership of the English Institute is apparently in favour of abolition, while the Scottish Institute is adamantly opposed to this highly debatable proposition.

Indeed, the smaller practitioner members of the English Institute are also opposed to



abolition, and in a recent speech the President of the Warwickshire Society of Chartered Accountants made this point very clearly. Unfortunately he went on to argue "that the Institute is seemingly yielding to Government pressure on the independence of the auditor," apparently because the Government is pressing for the abolition of non-beneficial shareholdings in client companies as well as beneficial shareholdings.

If there is indeed such Government pressure then it is long overdue. It is only very recently that the profession has taken steps to ban beneficial holdings and it is quite extraordinary that a ban on both kinds of holdings was not imposed years ago—as it has been in the United States and Canada.

Why is such a ban crucial? The accounts of a company, large or small, are the responsibility of the management, and management can scarcely be expected to be impartial about the way the financial results are reported. If outsiders, including shareholders, the Inland Revenue creditors, and so on, are to have confidence in a company's accounts it is essential that they should be reported upon by an independent auditor. The sole reason for the auditor's existence, is to lend credibility to published accounts. If the audit function itself is to be credible then it is clearly essential that the auditor should be wholly independent and thus able to take an objective and detached view

## A leading authority puts a personal view

# The case for self-control

By Edward Stamp

of the accounts upon which he reports.

It is impossible for the auditor to be independent, and therefore impossible for him to be credible, if he has either beneficial or non-beneficial shareholdings in the client company. It is absurd to argue that an auditor who has non-beneficial trustee shareholdings in a client can effectively discharge his functions as a trustee and at the same time be seen to be independent as an auditor. The validity of this point is well recognised in North America, and it is about time that it was accepted here.

The profession has a clear duty to recognise that auditors compromise their independence through these non-beneficial shareholdings. Once the auditor's independence is compromised his credibility is undermined and it then becomes proper to question (as some have done recently) whether the hundreds of kind of shareholding in a

client company virtually destroys this essential quality of an auditor.

Even at its present leisurely pace the profession will no doubt produce a set of auditing standards within the next year or so. But even when this is done there remains the difficult problem of enforcing them. If the profession is to avoid Government regulations it must make a serious and credible effort at self-regulation. This, at the moment, it is not doing, and this is why a committee was established early last year to look into the ways in which the profession might strengthen its disciplinary procedures. This committee, under the chairmanship of a senior and distinguished retired judge, Lord Cross, reported recently.

Although the committee seemed to recognise that a profession cannot expect to command respect if it lacks the power to enforce its own professional standards, the Cross Report is disappointingly vague and inconclusive in its proposals. Its analysis is incomplete and unconvincing, and among other things it fails to bring out the fact that the disciplinary standards of the Scottish Institute are well in advance of those of the English Institute. Yet I have no doubt that the Scots would be the first to admit that a good deal more needs to be done before even their enforcement procedures can be considered to be adequate. It is indeed a pity that a com-

mittee under the chairmanship of a former Lord of Appeal has been so ineffectual in helping the profession to deal with this crucial problem.

In the meantime, in lieu of tighter standards, adequately enforced, the profession is pressing the Government to limit the liability of those auditors whose work is sufficiently bad that they are compelled to make financial restitutions to persons suffering from their negligence.

There has of late been a good deal of wailing and gnashing of teeth within the profession about the size of these claims. Yet these complaints carry little conviction in the absence of any figures to support them. British accounting firms do not publish their results and so there is no way of knowing how large the settlements, and the insurance costs, have been.

## Damages

The American legal system, with its class actions and contingent fees, makes it very much easier for a plaintiff to collect damages from a negligent auditor. And in the U.S. at least two of the major accounting firms (Arthur Andersen and Price Waterhouse) now publish their financial results. The most recent figures for Price Waterhouse, for 1976, show that "practice protection costs" (including insurance) amounted to \$4.1m. America's largest accounting net partnership income of \$48.3m. In the case of Arthur Andersen, the corresponding figures for 1977 were: indemnity insurance and litigation costs of \$5.8m. out of fees of \$471.5m, and partnership net earnings of \$114.1m.

So even in the U.S. where the exposure to risk is admittedly very much greater than it is in the U.K., the cost can scarcely be described as crippling. The average net income per partner in the American firm of Price Waterhouse in 1976, after "practice protection costs," still amounted to \$128,000. In the absence of any figures for British firms one is bound to conclude that the case for limitation of liability of British auditors is non-existent. It would not be in the public interest to grant it, especially when the British legal system makes it so much more difficult to sue incompetent auditors.

What is now in the public interest is for the profession to put its house in order, quickly before the case for government regulation becomes unanswerable. Edward Stamp FCA (Canada) is J. Arthur Rank Research Professor and Director of the International Centre for Research in Accounting at the University of Lancaster. Previously he was Professor of Accounting at Edinburgh University, and has also been a partner in one of North America's largest accounting firms.

# Piling into carpets

THIS AUTUMN the Yorkshire-based Readicut International group is once again proving itself one of the Post Office's best customers. From its headquarters in Osett, near Leeds, Readicut launches at this time each year its annual search for those with the home rug-making habit, through a mail shot of around 250,000 catalogues.

But while rug kits remain Readicut's best known product they accounted for less than one third of its sales of £87.7m last year. Whereas other groups such as Coats, Paton, the Scottish-based textile group, Youghal the carpet manufacturer and Sirdar, the wool group, have diversified into rug-kits, Readicut's progress has been the other way.

Profits from rug-kits have been the magic carpet which has allowed Readicut to integrate backwards into yarn spinning and dyeing, and to move into other more diverse fields, though in most cases linked with floorcoverings or handicrafts. Through Plasticisers, its most recent acquisition, Readicut is now in the U.K. fibre business as a manufacturer of polypropylene—widely used in cheaper forms of carpeting—and is also among the biggest producers of woven carpeting through its Firih Carpets subsidiary.

These various activities returned a profit last year of more than £7m, and in this year's first half—traditionally the group's quieter period—profits at £2.45m, were 15 cent up on last year's figures.

## Transplanting

Readicut's successful development into a major industrial group with a record of continuing sales and profits growth is the result of a fairly early realisation of the dangers involved in dependence on one product in a single market. The rug-kit formula, successfully developed in Britain, was extended in the immediate post-war years to the U.S. and sales there now exceed those in the U.K. More recent years have seen a transplanting of the rug-kit idea—despite its rather Anglo-Saxon flavour—to the Continent.

But although overseas markets now account for more than two thirds of total rug-kit sales, they share the U.K. problem of being seasonal—all are in the Northern hemisphere. To meet the demand, the product has to be made throughout the year, but the pattern of buying means that cash flow is produced only over a limited period. Furthermore, the product itself depends on a raw material, wool, which

## Last Tuesday we looked at how a major carpet group copes with the industry's sharp cycles. To-day Rhys David describes Readicut's diversification strategy.

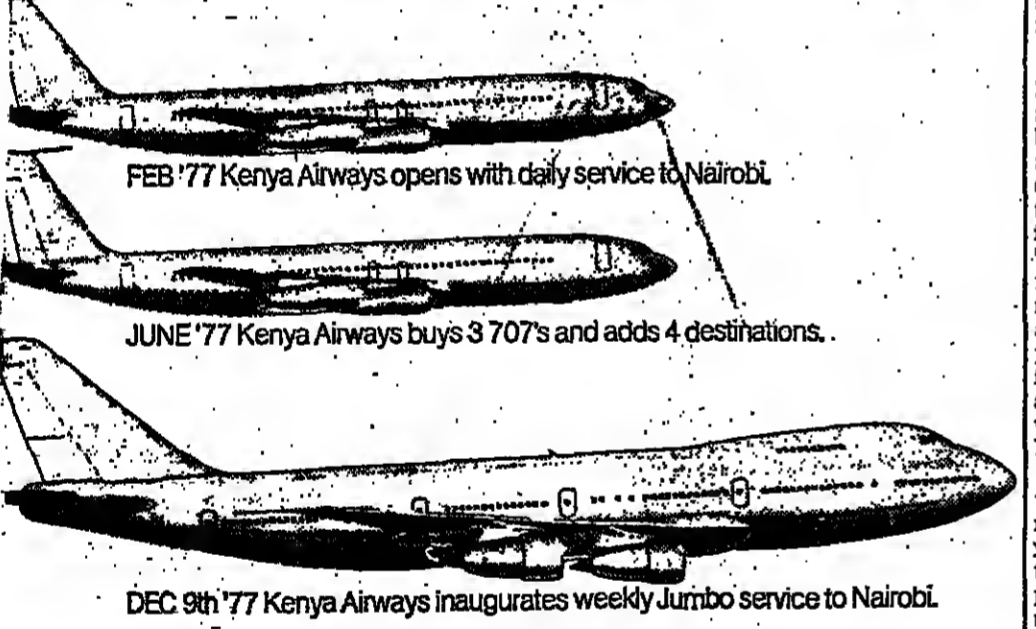
Plasticisers will this year account for much of the spending to be undertaken by the group. For Readicut, growth in this area will give it a new scale of involvement in the carpet industry. Through Firih it is now very largely a wovens producer, but with access to its materials for basketry, wood-own fibre supply it has the working, toymaking and other opportunity to expand its stake in handicrafts, similar institutions have been the main outlet for these goods but a much bigger potential market exists among other fields, and has increased its

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## BUSINESS PROBLEM BY OUR LEGAL STAFF

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The answer to both questions in your second paragraph is yes (but here again you would probably escape capital gains tax—for a different reason).

You appear to know so little of the pitfalls with which taxation is beset, that you may well find it worthwhile to seek the guidance of your accountants.

In any event, we suggest that you ask your local tax inspector for copies of the free booklet C.A.I. (Capital Allowances on Plant and Machinery) and IR28 (Starting in Business).

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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## SPICERS

Word perfect... in the office





Christopher Parkes examines the reasons behind the resignation of FMC's top bacon executive

# Keeping the Danes from the door

BRITISH farmers like to mind reduction in the price they get for their own business. That is where many of their troubles are paid—mostly under contract. And that, it seems, is also true of the bacon curers, ham and what led to the startling events canners and luncheon meat of last week when Mr. H. M. makers.

Newton-Clare stumped the board of the FMC—formerly the Fatstock Marketing Corporation—"utterly astonished" that his proffered resignation had been accepted.

The FMC is Britain's biggest meat business and is virtually owned by British farmers through their union's Development Trust. Mr. Newton-Clare, Chief Executive of the Harris Division of the FMC, was hailed as something of a saviour for the company which had a history of mixed fortunes—when he joined the Board from Scotland in 1976.

His 20 years' experience at "business" end of the meat side were regarded as an invaluable asset from which FMC could only profit.

**Luncheon**

The most recent concrete evidence of the troubles that were to lead to last week's events appeared at a luncheon given by the Bacon and Meat Manufacturers' Association of which Mr. Newton-Clare is the chairman. He proposed to improve the profitability of the British bacon and processing business, facilities would start to close and his would be lost. Fair enough, so far.

But talking to journalists after the formal speech at the luncheon, he also dropped head-hints that pig farmers ought soon have to accept a

cedes of recent better times tools of the Common Agricultural Policy, and used in London by Mr. John Silkin, Minister of Agriculture, as the principal reason when the FMC adjustments of national farm

There was another upset recently when the FMC admitted that it was using its policy to break even the FMC and imported cheaply from Ireland. Other British curers say they need £1,100 a tonne first hand these imports were responsible for their bacon from whole-

## FMC—BRITAIN'S BIGGEST MEAT TRADER

Founded by the National Farmers Union, the FMC was first publicly quoted in 1962. It does not belong in the usual run of public companies. The NFU, through the NFU Development Trust, has long had an influential stake, and most of the other shares have traditionally been held by individual farmers.

The power of the farmers was demonstrated most forcefully last April when they drove off Thomas Borwick's £4m. bid to take the company over. When the takeover fight started the Trust held 40.9 per cent of the company. They quickly increased this to 47.9 per cent, and stubbornly refused to sell. In the end Borwick gave up and sold the shares he had accumulated to the NFU Development Trust.

The Trust secured its position and ended with 73 per cent of the shares. The remaining 27m. shares are in the hands of around 10,000 private individuals.

FMC is involved in every stage of meat processing. Through its subsidiaries and associate com-

The MCA, intended to balance out the monetary differences between Britain and Denmark and keep alive the shaky notion of a "common" market for food-stuffs with "common" prices, is condemned by U.K. farmers and bacon curers as an out-and-out subsidy which enables the Danes to undercut the British.

being pressed in Brussels by influenced by other factors such as the cyclical movements of the meat business, sharp changes in the prices of feed or foot-and-mouth disease outbreaks and other major catastrophes. But it is generally possible to forecast with a fair measure of accuracy how supply patterns will alter one, two or even three years ahead. Given this information, months, but has so far failed to satisfy itself that Mr. Silkin or the curers have a justifiable complaint.

Mr. Newton-Clare himself recently paid a visit to Brussels in an abortive attempt to hear Finn Gundelbach, the Agricultural Commissioner.

While it is certainly unenviable for the U.K. bacon industry to face such fearsome competition in its home market, its troubles are not entirely caused by the subsidised Danes. There are some British bacon merchants and even retail traders who will have nothing to do with the produce from U.K. factories. They insist that Danish bacon is consistently of better quality than British. One does not have to be a marketing expert to see that the "Danish" brand has made a more forceful impact than "British" bacon.

**Cyclical**

And although it is true that processors' costs are rising as supplies of pigs shrink, it is also true that the present situation was largely foreseeable. That is a face of it, without some relief from the curers or any other bacon curer, but pig production in the U.K. is a cyclical business with a long-term production pattern which is easily discernible. The dips and rises in production may be

or try closer to home to extract subsidies from the national Exchequer. Last spring he broke EEC rules by topping up pig farmers' prices from the national purse. And Community law or no, in the absence of concessions about the way the bacon MCA is calculated, he might find himself forced to risk it again in the New Year.

**Aid now**

The timing will be crucial. The curers are clamouring for aid now. But if Mr. Silkin ignores the farmers' pleas and goes it alone before he has won his coming campaign to keep down EEC farm prices at the spring review, for a small gain on domestic pigmeat he might find himself losing heavily on the price review.

Because it holds such an important position in the British meat industry, the FMC plainly cannot be allowed to fall into decay, and it is in the special interest of the farmers who control it to ensure that it is run as far as possible as a profitable, fully-integrated part of the meat business.

FMC shares have had a history of mixed fortunes. Even the relatively sparkling performance the company put up in this means there will be 31th less home-produced pigmeat available for every person in Britain next year. Quite what this will mean for the bacon processors' costs is rising as supplies of pigs shrink, it is also true that the present situation was largely foreseeable. That is a face of it, without some relief from the curers or any other bacon curer, but pig production in the U.K. is a cyclical business with a long-term production pattern which is easily discernible. The dips and rises in production may be

Even Mr. Silkin concedes that on bacon at least, the MCAs are too high.

Broadly, the farmers argue for an overall devaluation of the green pound. Each 1 per cent devaluation would raise the guaranteed price for their produce by about the same amount and reduce the MCA subsidies on imports to an equal extent. In the special case of pigmeat they also support the suit now

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## Letters to the Editor

**Surrender to Japan**

Mr. E. A. Hammond.

The 20-column inches of Sir "The (A) ridiculous" (December 8) must be a record even by the declining standards of the more popular press.

The balanced report of the affair in Sir Wilkin's analysis could hardly have been read with our confidence by your leader-writer. His id acceptance of Japanese priority and advocacy of their needs is reminiscent of those who so happily surrendered Singapore.

An chairman of one of the for-work parties concerned that of Electronic Components, it is true, with our colleagues, pressed our points and lobbied an that should survive — not because we are anti-Japanese but because we are pro-British.

The considerable arguments of Sir Wilkin's article are based on your editorial. The principal ones are:

The conditions sought by the government from Hitachi were workable, unenforceable and almost industrial logic. It is live to assume that Hitachi's units worldwide, including their British plant, could be in the U.K. industry, which is a Japanese industry.

Industry does not believe that Hitachi would adhere to Government decisions. This opinion is based on Hitachi's behaviour in here such as colour picture televisions, imports of portable boom television sets from Japan, and the fact that Hitachi's Japanese parent company would not adhere to Government decisions. This opinion is based on Hitachi's behaviour in here such as colour picture televisions, imports of portable boom television sets from Japan, and the fact that Hitachi's Japanese parent company would not adhere to Government decisions.

over his alternative to the cuckoo-clock. The Government has more than honoured the international trade rules. The Japanese seem not to have heard of them.

E. A. Hammond, Executive Director, ERMU, 15, Brompton Road, W.1.

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**GENERAL**

Balance of payments figures for November.

Preparatory peace conference called by President Sadat of Egypt due to open in Cairo.

Labour Party national executive meets.

TUC Economic Committee meets.

Prime Minister is main speaker at lunch following annual meeting of British Food Export Council, Quagino's, S.W.1.

Mr. Nicolas Goodison, Stock Exchange chairman, speaks at American Chamber of Commerce lunch, Savoy Hotel, W.C.2.

Aviation Users' Committee annual report.

Air Commodore Sir. Peter Vannock, Lord Mayor of London, gives opening address to students from London University taking "How the City Works" course at Guildhall, E.C.2.

Building Societies' Association PARLIAMENTARY BUSINESS House of Commons: Proceed- ings on Consolidated Fund Bill for November.

**To-day's Events**

House of Lords: Debates on forestry industry and on public parks and open spaces.

Select Committees: Expenditure (Environment sub-committee), Subject; National Land Fund, Witness; Historic Buildings Council—England and Scotland (4 p.m., from Room 5). Expenditure (Social Services and Employment sub-committee), Subject; Employment and Training Service, Witnesses: Treasury, Department of Employment and Manpower, Services Commission (4.30 p.m., Room 15).

**COMPANY RESULTS**

H. P. Bulmer (half-year), world, Coliseum Theatre, W.C.2. Arthur Guinness Son and Co. 7.50 p.m.

**Houses and homeless**

From the Director, Shelter, National Housing Aid Trust

While I am pleased that Mr. Rogaly supports the view that there is considerable scope for dealing with homelessness by a more efficient use of existing resources ("The desperate plight of the homeless", December 6, 1977), I feel that his constant reference to the "ever-increasing excess of houses" bears little reference to the realities faced by local authorities and organisations like Shelter.

He summarises the local authorities' fears of the new Housing (Homeless Persons) Act, 1977, as based first on expense and second on control. However, there is another, much more major, fear that some authorities have expressed which is a shortage of houses with which to deal with the problem. In recent weeks Shelter has met a large number of housing officials to discuss this Act and the view they have of the housing problem is considerably different to that of Mr. Rogaly. Their view is that they are having to face an increased demand with fewer resources, and many of them have stated quite clearly that there is a desperate shortage of houses in their areas, something which may be less apparent in the major cities but in rural areas is probably not far from the truth.

The academic arguments about shortage of excess based on crude figures are not enough on which to base a housing policy. Mr. Rogaly should spend more time with housing managers, with voluntary organisations and others who day-to-day have to deal with cases of terrible housing need, and where it is quite obvious there is no solution. More efficiency and better use of resources are simply not enough to deal with the problems faced in many areas and this has been the message of Shelter since it was ten years ago following "Cathy Come Home."

While Shelter recognises that many authorities have overreacted to the new law on homelessness, we do recognise that many authorities will face serious problems requiring drastic review of such policies as selling council houses or cutting back building programmes. We hope that will be the message coming clearly, and strongly, from authorities faced with these new responsibilities.

Bob Widdowson, 157, Waterloo Road, S.E.1.

**Handicapped students**

From the Chairman, National Bureau for Handicapped Students

I was very pleased to read your report on the recently published NBHS policy statement "An Educational Policy for Handicapped People."

The NBHS was set up two years ago and has already made a considerable impact in its efforts to improve opportunities in post-school education for handicapped people.

Your readers may care to know that, in addition to the education statement, the NBHS is preparing a policy statement on the employment of handicapped people. It is doing so because it believes that every effort must be made to ensure that wider educational opportunities for handicapped people result in improved employment prospects.

The NBHS has already attracted wide support from educational institutions. It is now looking for additional support from industry, commerce and the public services.

Denis Coe, Thomas Coram Foundation, 40, Brunswick Square, W.C.1.

**The definition of a bank**

From Mr. Nicolas Travers.

Mr. de Berry seemed to think (December 9) that British banking law is riddled with loopholes. He underestimates the position, for in fact there are more loopholes than law.

Earlier this year I had cause to write to the Inland Revenue policy division, asking how the Revenue would define a bank for the purposes of the Income and Corporation Taxes Act, 1970, which permits banks to pay and receive interest without deduction of tax.

The policy division replied on April 15 (reference T1043/10/77) that a company would qualify as a bank for the purposes of the Act if it satisfied the Revenue that it "is in fact operating the full range of banking business including, for example, the provision of current account and cheque book facilities for customers other than its employees or associated companies."

In other words, any company with branches open to the public, which owed money to customers other than employees or associates, and provided books of withdrawal or credit demand notes, would qualify. I imagine P. L. Muller, Cliche House, 30, Uxbridge Road, W.12,

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BIDS AND DEALS

Britrailpen makes its offer unconditional

In a low-key contrast to the British Investment Trust Affair 24 hours previously, the Edinburgh Dundee cliff-hanger came to a quiet conclusion last night with the announcement that the offer from British Rail Pension Funds is to be made unconditional.

Britrailpen has obtained control of 74.58 per cent. of the equity by way of its extended bid, and is therefore "just a whisker short" of the 75 per cent. it needs to be certain of getting a scheme for liquidating the company through the Courts, and securing the tax advantages which that liquidation will bring.

LEX COMPLETES CARLTON SALE

The Lex Service Group has now completed the sale of its Carlton Tower Hotel to the Group of the based Proteus Group. The deal was first announced in July but the completion date, December 8, means that Lex will effectively have had the benefit of the full 1977 profits from the hotel.

MONEY MARKET

MLR fall possible

Bank of England Minimum Lending Rate 7 per cent. (since November 25, 1977). Short-term fixed period interest rates were fairly steady in the London money market yesterday, and opinions seemed evenly divided on whether Bank of England Minimum Lending Rate is likely to be reduced this week.

Table with columns for Dev. 15 1977, SHITTING Certificate of deposit, Interbank, etc.

Local authorities and finance houses seven days' fixed. \*Long-term local authority mortgage rates nominally three years 9 1/2 per cent.; four years 10 1/2 per cent.; five years 10 1/2 per cent. Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 5 1/2 per cent.; four-month trade bills 7 1/2 per cent.

MINING NEWS

Doornfontein & Libanon lift payments

BY KENNETH MARSTON, MINING EDITOR

ALTHOUGH they are much in line with expectations, some of the latest half-yearly dividends declared by the South African gold mines in the Consolidated Gold Fields group make a more cheerful showing than at this time a year ago.

Doornfontein, for instance, is paying an interim for the year to next June of 20 cents (12.5p). A year ago the interim was chopped to only 5 cents and there was a subsequent final of 10 cents.

Doornfontein is paying an interim of 40 cents compared with only 5 cents last time and the June final of 40 cents.

The interim of the latest dividend is the lower grade mines, which were particularly hit by the past fall in the gold price, have thus benefited most from its subsequent recovery, but none of the latest distributions is likely to cause any great excitement in the share market this morning.

Doornfontein Dec. 1977 20.00 cents June 1978 20.00 cents Dec. 1977 40.00 cents June 1978 40.00 cents

Saint Piran & South Crofty are doing well

FURTHER GOOD progress is reported by the Saint Piran tin mining and house-building group. Declaring an interim of 1.25p net for the year to next March, the group states that it is intended to lift the total dividend for 1977 to 3.75p, a figure which would be "satisfactorily covered by anticipated profits."

It is pointed out, however, that the 3.75p total would be subject to reduction of Government policy on dividend restraint; under the present requirements, which expire in July next year, the total permitted dividend would be 1.9875p.

Net profits for the past half-year amount to £205,000 after including £209,000 from the offer for sale of 35 per cent. of the shares in the South Crofty Cornish tin recovery subsidiary, which cost £229,000 and netted the 1976-77 total of £16,000.

Listed shareholders have a market value of £3.5m. In addition to the Far Eastern interests which have been sold from the South Crofty sale.

It is stated that the year's results will "again reflect the continuing trend of increased profits" and that the group "has strong back-up resources with which to pursue its policy of acquisitions in the mining, house-building and allied industries."

South Crofty is well on the way to fulfilling its forecast of a year's pre-tax profit of £2m, and a dividend total of 4.125p. Attributable profits after tax and expenses relating to the offer for sale are £302,000 for the six months to September 30 compared with £259,000 a year ago and the anticipated interim of 1.65p is declared.

Also doing satisfactorily is the Milbury house-building subsidiary which reports a half-year pre-tax profit of £267,653 compared with £262,681 a year ago. The net interim is 1.6p and subject to a relaxation of dividend restraint, it is intended to pay a total of 4.5p for the year.

against Kathleen the company was granted leave to allow its retirement of claim. Kathleen has decided against this course, presumably because MKU has run up heavy losses since Kathleen first started its action.

Phelps faces copper loss

THE SECOND largest copper producer in the U.S., Phelps Dodge expects that "at any copper price that it appears prudent to predict, we would have a negative cash flow next year."

Blue Spec: Metramar hits out at Anglo

AUSTRALIA'S Metramar Minerals is considering taking legal action against the Anglo American Corporation group over problems with the Blue Spec antimony gold mine in Western Australia, reports our Sydney correspondent.

The chairman of Metramar, Mr. A. D. Motion, told shareholders at yesterday's Perth meeting that production of the mine would be phased out early next year.

Metramar brought Australian Anglo American in as a joint venture partner in 1972. Because of difficulty in obtaining funds, Metramar's stake in Blue Spec has now risen to 13 per cent.

Mr. Motion outlined a number of areas where he claimed that Anglo's estimates as project manager differed widely from the actual results. He said Anglo estimated the capital cost of bringing the mine to production as \$44.7m (£2.9m), but it exceeded \$47m.

The average grade of gold and antimony and the expected recovery were both much higher than achieved, while the operating costs were also much higher than estimated.

The mine had not produced a cash surplus in any month to date.

Metramar borrowed funds from Anglo and still owed \$300,000. Mr. Motion said the Metramar Board understood there had been a misunderstanding of the joint venture terms negotiated, but that Anglo maintained there had been a misunderstanding.

KATHLEEN INV. BACKS DOWN

Kathleen Investments (Australia) has decided not to continue with its fight to regain its position as a major shareholder of Australia's only operating uranium mine, Mary Kathleen uranium, reports our Sydney correspondent.

The High Court of Australia last month rejected a claim by Kathleen Investments that the Australian Atomic Energy Commission was not empowered to take up shares in MKU in 1974 which gave it a 42 per cent. shareholding.

The AEEC underwrote an MKU share issue when the Australian Government refused to allow the Conzinc Riotinto of Australia to act as underwriter because it would mean an increase in overseas ownership of MKU.

The share issue substantially reduced Kathleen's stake in MKU. Although the High Court ruled

Copies of the Interim Statement may be obtained from the Secretary, Saint Piran Limited, 13 Hill Street, Berkeley Square, London W1X 2AL.

Copies of the Interim Statement may be obtained from the Secretary, South Crofty, Limited, Station Road, Pool, Redruth, Cornwall TR15 2AL.

Copies of the Interim Statement may be obtained from the Secretary, Milbury Limited, 178 Old Wellington Road, Eccles, Manchester M30 9JF.

Saint Piran Limited

Summary of Half-Year Results table for Saint Piran Limited

Highlights of Interim Statement

- Dividend—5% interim dividend payable on 2nd February, 1978. Trading—Improved results from both mining and housebuilding. Outlook—Saint Piran has a very strong base and considerable cash resources with which to pursue its acquisition policy.

South Crofty, Limited

Summary of Half-Year Results table for South Crofty, Limited

Highlights of Interim Statement

- Dividend—16.5% interim dividend payable on 2nd February, 1978. Trading—substantially increased profits caused by sustained level of production coupled with rise in tin price.

Milbury Limited

Summary of Half-Year Results table for Milbury Limited

Highlights of Interim Statement

- Dividend—6% interim dividend payable on 2nd February, 1978. Trading—profitability maintained despite high inflation. Land—land bank replenished by purchase of further prime land.

Copies of the Interim Statement may be obtained from the Secretary, Milbury Limited, 178 Old Wellington Road, Eccles, Manchester M30 9JF.

Mitchell Cotts Group Limited

1976/7 RESULTS

Table with columns for 1977 and 1976 results

Dividends per Ordinary Share

Interim—0.656 p Proposed Final—2.744 p Total for the year—3.400 p

Dividend Cover 2.31 times Earnings per Ordinary Share 8.03 p

Profit Contribution

Table showing profit contribution by principal activities and territories

By Principal Activities: Engineering 61%, Freight, Transport and Storage 23%, Commodity Trading 5%, Vehicle Distribution 6%, Agriculture 5%

By Territories: United Kingdom 16%, Southern Africa 68%, East and Central Africa 20%, Europe, N. & S. America & Australasia (4%)

Chairman—Mr. J. K. Dick, C.B.E., F.C.A. Mitchell Cotts Group Limited, Cotts House, Camornile Street, London, EC3A 7BJ. Telephone: 01-283 1234

SERCK LIMITED advertisement including logo, preliminary announcement, and financial data for the year ended 30 September 1977.

PAHANG ENDS UP WITH A LOSS

The Malaysian tin producer, Pahang Consolidated, ended the year to last July with a net loss of \$31.88m (£485,490) on its profit and loss account.

Higher metal prices enabled Pahang to record an interim profit of \$33.25m (£238,850) sharply higher than the \$20,000 earned in 1976-76, but there was a loss on the sale of tin of \$285.14m, compared with a profit of \$285.14m the year before, and this caused the deficit.

The extraordinary items included a loss on the sale of investments of \$2m, and provision for the diminution of an investment of \$32.6m.

During the course of the year THOS. WARD Butters Cranes (part of Thos. W. Ward) is selling its London premises at Hillingdon to Ruston Butters cranes and elevator manufacturers of Lincoln for £470,000.

The move represents the final stage in consolidation of the company's manufacturing units, which are now concentrated at Butters HQ in Glasgow.

By a leasing agreement with the new owners, Butters will continue to operate the London sales facilities from the Hillingdon premises.

NO PROBE Mr. Roy Hattersley, Secretary of State for Prices and Consumer Protection, has decided not to refer the proposed merger between Transport House and Morgan Gramplan House to the Monopolies and Mergers Commission.

MARLING IND. Marling Industries has sold its filter fabricating division to G. H. Heath and Son (UK).



Chairman—Mr. J. K. Dick, C.B.E., F.C.A.

Mitchell Cotts Group Limited logo and contact information.

S. Simpson

LIMITED

A good year's trading: turnover and profit at record levels.

The 44th Annual General Meeting of S. Simpson Limited was held on 13th December in London. Dr. S. L. Simpson, Chairman presiding. The following are extracts from his circulated statement.

I am pleased to report a good year's trading in all divisions. In effect, our Turnover and Profit for the Financial Year under review surpassed all previous records. The achievements of the Manufacturing Companies in the second half of the year confirmed the forecast in my last year's Statement. For Simpson (Piccadilly) Ltd. the comprehensive range of DAKS clothing for men and women played a prominent part in trading and its wide range of fashion goods in all sections also proved highly successful with overseas visitors.

Both the DAKS-Simpson Manufacturing Companies made good progress in the second half of the Financial Year as the benefits of re-organisation, large investments in modern equipment and techniques, creative styling and merchandising and great efforts to meet the needs of potential Export markets, began to be realised.

Royalty incomes from our Licensees abroad are a progressive and useful contribution to profit. These areas require adequate and close liaison with our experts in this country to ensure worldwide standards of design and quality. U.S.A. remains the most expensive potential.

The Company has just finalised an Agreement with Edward Weatherill Ltd., internationally known for its Riding gear, to co-operate in the manufacture and marketing of Men's and Women's riding jackets, coats, jodhpurs and breeches.

The Inventère Coat Company increased its turnover and profits substantially, especially in the second half of the year. Publishing new high levels. Exports accounted for more than 1% of total sales.

The past year's achievements for the Group and present trading give good grounds for a favourable outlook for the second half year. However, it would be imprudent not to recognise that we are not immune from the general industrial and fiscal problems in this country and overseas. The problems of inflation, industrial and social unrest, increasing charges for essential services and onerous high taxation, inevitably constitute disincentives to entrepreneurs, management, skilled workers and investors, especially as the high rates of inflation in many areas, including investment income, are well beyond those of our industrial competitors in other countries. However, there are some signs of a better understanding of many complex inter-related problems and of the need for all to pull together if we are to solve them for the benefit of the Company as a whole. With this hope and expectation I retain great optimism for the future.

My sincere thanks, as Chairman, are due to all my colleagues on the Board, and to Management and Staff of all companies within the Group for their efforts and loyal operation in achieving a successful and progressive year's trading.

First half slip for IC Gas

ALTHOUGH TURNOVER rose from £48.7m. to £55.9m. and profits of Imperial Continental Gas Association slipped from £1.28m. to £1.19m. for the half year to September 30, 1977.

The directors say that uncertainties over pay negotiations in the fuel and power industries and winter temperatures make it difficult at this stage to forecast full year profits. The surplus for 1976-77 was £22.2m.

The interim dividend is 4p (3.5p) net per £1 share and a supplementary dividend of 0.8825p is also declared for 1976-77 following the reduction in the Last year's final payment was 5.2795p.

Table with columns: Sharehold, Dividend, Turnover, Depreciation, Interest paid, Pre-tax profits, Taxation, Profit before tax, Profit after tax, Profit after tax, Profit after tax.

Results are those of the association and its subsidiaries excluding its Belgian company. Present indications are that the group's share of earnings of the Belgian subsidiaries together with the group proportion of UNESA's earnings, will in terms of Belgian francs, be slightly greater than for 1976-77.

South African recession to cut Mitchell Cotts

THE Mitchell Cotts Group cannot look for the same profit from its South African operations as it had for the last two years, Mr. J. K. Dick, chairman, says in his annual statement.

He says that shareholders must anticipate both economic and political troubles in South Africa. Last year South Africa contributed 68 per cent of the record pre-tax profit of £11.92m. and in the June 30, 1976, year, 81 per cent.

He says that although group pre-tax profit may well show a decline to nearer the 1976 level of £6.5m., he can see no reason why attributable profit should increase from last year's £2.9m.

And while the short-term outlook in South Africa is discouraging, Mitchell Cotts has special features which will help mitigate the worst of the economic recession.

Certain of its specialist companies carry out work which has to be done whatever the state of the economy and are insulated from the worst of the difficulties. Also the participation of

DOT report on London Capital Group

Call to close loopholes

THE REPORT of the inspectors appointed by the Department of Trade to investigate the London Capital Group is primarily notable for its suggested changes in Company Law together with criticism of the professional advisers involved.

The 376 page report is in the form of a history of the company and there is no conclusion, the inspectors and inspectors' points to emerge as the story goes along.

Below the criticisms and suggestions are collected together along with the inspectors' justification for pillorying the professional advisers.

Introduction: The Secretary of State for Trade appointed Michael Sherard, QC, and Ian Hay Davison, FCA, as inspectors to investigate the affairs of London Capital Group.

They say: "Our findings are that the suspicious relating to all the companies were amply justified. The various irregularities and irregularities were considered doing extends very considerably beyond the offences for which Mr. Stonehouse was later tried and convicted at the Central Criminal Court between April and August 1976."

The companies under Mr. Stonehouse's control were saturated with irregularities and irregularities of one kind or another. The prime mover was undoubtedly Mr. Stonehouse, who was concerned in the conception, in the practical mechanics was essential. Accounts, books and records were treated with misappreciated respect for they were often used only to deceive.

We believe that there is room for improvement in the Section (Section 197 of the Companies Act 1948). At its stands the Section provides that the accounts are to contain particulars showing, inter alia, the amount of any loans made during the company's financial year to any officer of the company.

We believe disclosure provisions to be of great importance and think that precise directions as to the extent and detail of disclosure required would be welcomed.

Interim audits: The interim statement was not audited and there was no reason in law why it should have been. We think it should be preferable in future if any statement of this kind is made by a company's premises directed to its members or prospective depositors, was required to bear a prominent statement as to whether or not it had been audited.

Companies Act: Sections 54, 190 and 197 Companies Act 1948. There is much scope for abuse because the assertion or pretence that loans are made "in the ordinary course of its business" may be used to justify concealment from the

We think there is much to be said for the point of view that the Rules of the Stock Exchange should govern any public offering of shares whether or not the company is to be quoted on the London Stock Exchange.

It may be that this is easier said than done and that, even if done, determined wrongdoers may slip through the net. We are aware, of course, that a major review of City institutions is taking place and we hope that the feasibility of what we have said will be the subject of further consideration in that review and by the Council of the Stock Exchange itself.

Extradition limits: The ease of present-day travel has extended escape routes throughout the world. We think this factor, coupled with the frauds, should be a re-consideration of the suitability of the current restrictions on extradition.

Criticism justified: Were there not several important lessons to be learned, we would not think that the shortcomings of these reports warranted the stigma of description in a report of this kind.

However, it must be realised that in the field of financial and company fraud the prospects for a solo performer are not great. A team of helpers and the assistance of compliant professional advisers are fundamental tools of the trade.

By deterring the secondary players, a real contribution can be made to preserving what Mr. Stonehouse, with cynical distaste, described in his parting words to us as "the new purist element in business."

Sir Charles Hardie's letter to both the brokers and the solicitors gave the entire impression of an unfortunate impression of status, which was unjustified and technically inaccurate.

The latter began with those words: "The Governor of the Bank of England has given permission for the formation of the above company on the basis that it will be categorised as a bank."

In fact, the Governor of the Bank of England was not required to give any such permission but we do not believe that either the brokers or the solicitors were misled by this grandiloquent "puff."

General Rule 78(3) of the Stock Exchange prohibits the appearance of a broker's name in a prospectus for an unlisted company without the consent of the Council. Unfortunately, the appearance of the name of the company was included in the prospectus and this rule and his such consent was sought or given.

On November 23, 1972, they wrote to the Council with an apology, which was accepted on the terms that corrective advertisements would be placed in the Press.

Disclosure of loans in the 1972 accounts: The circumstances of this case do not entitle the solici-

tor to hide behind the skirts of the auditors or the solicitors. Neither Sir Charles nor Mr. Levine made any sufficient inquiry in their respective spheres or of each other, to ascertain for themselves the information which should have led to proper advice and disclosure being made.

Both had more than sufficient evidence upon which to conclude that to issue the 1973 directors' report and accounts without making disclosure of the loans to the directors, their families and associated companies was wrong.

Even before BBT opened for business, substantial facilities were granted to each of the four directors of their companies. These advances were current throughout the seven-month period covered by the accounts and, with the exception of Mr. Levine's, were outstanding at the period's end.

The total outstanding at the end of the period represented no less than 28 per cent of the total loans and advances outstanding and due from customers.

In the case of the chairman, Mr. Stonehouse, the maximum of loans to him, his immediate family, his nominees and companies amounted to £343,885 during the period and £145,804 at the end of it.

In the case of three of the directors they had agreed to enter into guarantees with BBT for substantial sums amounting in all to £355,000.

That these facts were not disclosed in the accounts and directors' report of the company is nothing short of lamentable. This is the subject of our criticism and both the auditors and the solicitors must bear full responsibility for it. One result was that the company continued to run, and built up a bogus track record."

Slipshod approach: Sir Charles Hardie was prepared to sign the accounts as long as the loans were repaid. This was to be verified by a team from Dixon Wilson.

"We doubt whether they reviewed the relevant loan accounts at all. Having regard to the fundamental importance which Sir Charles attached to the clearance of the accounts, the superficiality of the verification that this had been done can only be regarded, as thoroughly reprehensible."

It can scarcely be a complete answer for Sir Charles to say that there were no grounds for suspicion. Not to have probed the realities of the paper transactions was, in our opinion, a serious dereliction of duty.

We would not, of course, criticise anyone for lacking the wisdom before an event which they acquired after it. Unfortunately, the slipshod approach to the 1973 audit was itself partly responsible for the failure to detect, or to overlook, this rule and his such consent was sought or given.

On November 23, 1972, they wrote to the Council with an apology, which was accepted on the terms that corrective advertisements would be placed in the Press.

Disclosure of loans in the 1972 accounts: The circumstances of this case do not entitle the solici-

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any Preference Shares.

Stag Furniture Holdings Limited

(Registered in England No. 136401)

Capitalisation Issue of 857,770 10 per cent Cumulative Preference Shares of £1 each

The Council of The Stock Exchange has admitted the above Preference Shares to the Official List. Dividends will be payable in equal half-yearly instalments on 31st March and 30th September each year. The first payment, amounting to 3.125p per share (net of related tax credit), will be made on 31st March, 1978.

Particulars relating to the Preference Shares are available from the Statistical Service of Exrel Statistical Services Limited and copies of such particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 4th January, 1978, from:

Keyser Ullmann Limited, 25 Milk Street, London EC2V 5JE, 14th December, 1977.

Parsons Gordon & Co., 9 Moorfields Highwalk, London EC2V 9DS.

The Irish Glass Bottle Company Limited

Extract from the statement made by the Chairman Mr. P. W. McGrath at the Annual General Meeting of The Irish Glass Bottle Co. Ltd., on Tue. Dec. 13th 1977.

Last year in my statement, I expressed considerable concern as to the future prospects for Irish industrial employment which, regrettably, proved justified as the year progressed. Fortunately, a considerable improvement was apparent towards the end of the financial year not only in your industry but in industrial employment generally and together with other matters with which I will deal later, have largely produced the record results for the 52 weeks ended 28 June, 1977.

Consequently your company was able to increase its sales both in volume and money terms during the year in particular on the export markets. Some of these additional benefits are as a result of our close liaison with the Rockware Group which association continues to be helpful and constructive.

environment for expansion in our industry and in industry generally in Ireland. It will be noted that the Group Profit before Taxation and Extraordinary Item amounted to £1,055,387 compared with £986,742 last year. This increase of 50% is due in the main to an increase in volume of production and sales on both home and export markets and to a certain improvement in efficiency.

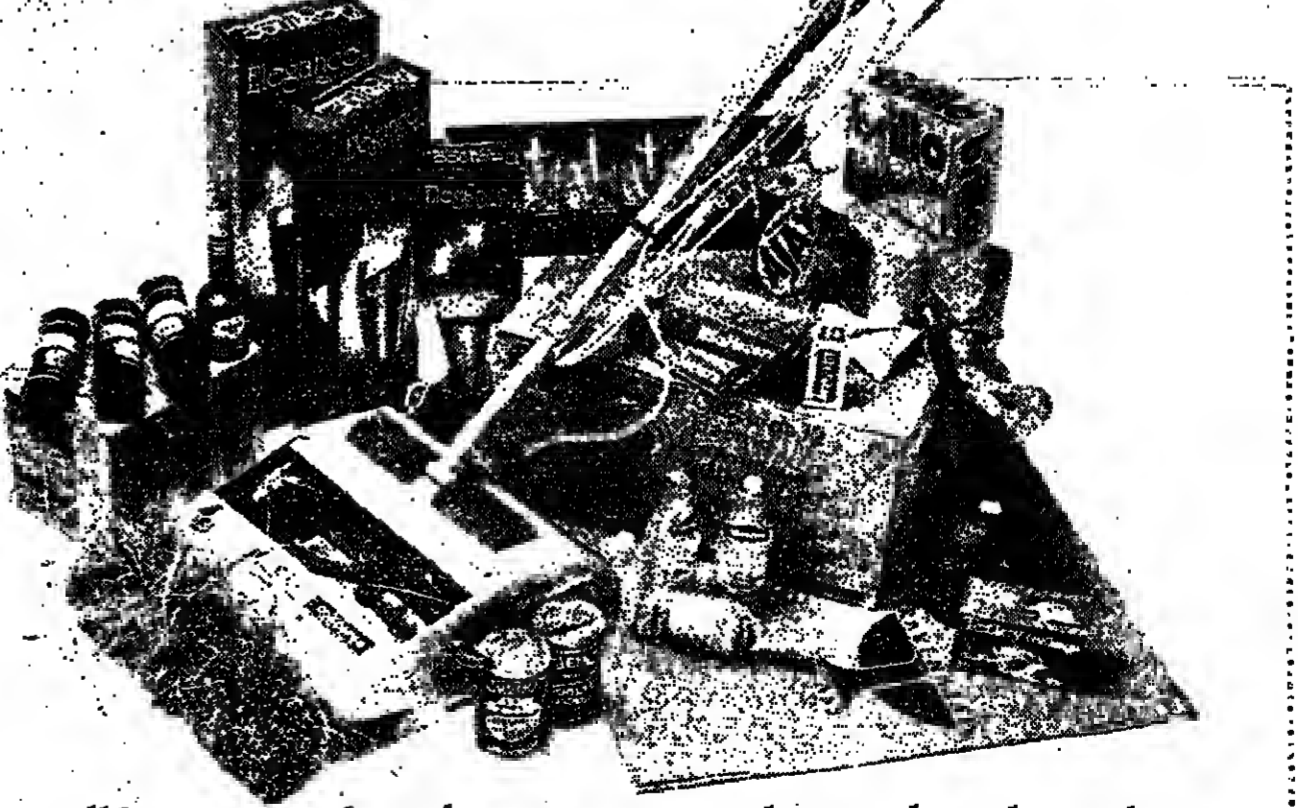
Development: Your Management has been exploring the overall planning and development of the company over the next five years. It is our belief that, with the return of reasonable prosperity to the country which hopefully will continue over the next few years, there is room for expansion in production and sales of glass containers.

Irish Plastic Packaging Limited: This company, while increasing its turnover, experienced very difficult trading conditions during the year as a result of which its margins were considerably reduced and the operating profit was also somewhat lower than the previous year. While the after tax results were an improvement on the previous year, trading conditions in the plastic packaging industry are extremely difficult.

Silica Sand Limited: This company continues to trade profitably and shows a very satisfactory return on the capital invested.

In conclusion, I would thank all those concerned in the company for the part they have played in the considerable improvement effected during the year and hope that this time next year I will be able to report further progress.

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PURE IRISH GLASS The Irish Glass Bottle Co. Ltd. Charlotte Quay, Dublin 4





Partial rally after initial decline \$ still weak

BY OUR WALL STREET CORRESPONDENT

After an early decline today, also unsure about the first-quarter outlook...

PARIS—Stock prices continued to weaken, as a number of selling orders on the Comptant market...

NEW YORK, Dec. 13. The U.S. dollar continued to decline in the foreign exchange market...

delivery, and to 3.57 per cent. The dollar was fairly thin today...



GOLD MARKET

Table with columns: Date, Price, Change. Lists gold prices for various locations like London, New York, etc.

FOREIGN EXCHANGES

Table with columns: Location, Rate, Change. Lists exchange rates for cities like London, Paris, Tokyo, etc.

Other Markets Canada improves National Stock Markets returned to an upward tack yesterday...

elsewhere, Helucken gained 2 1/2 points against the trend ahead of the annual report...

AMSTERDAM—The market opened at 118.940 against the dollar, and the dollar was fairly thin today...

CURRENCY RATES

Table with columns: Currency, Rate, Change. Lists rates for various currencies like Swiss Franc, Australian Dollar, etc.

Indices

Table with columns: Index Name, Value, Change. Lists indices like Dow Jones, S&P 500, etc.

N.Y.S.E. ALL COMMON

Table with columns: Stock Name, Price, Change. Lists individual stock prices from the NYSE.

EXCHANGE CROSS-RATES

Table with columns: Currency, Rate, Change. Lists cross-rates between major currencies.

EURO-CURRENCY INTEREST RATES

Table with columns: Term, Rate, Location. Lists interest rates for various Euro-currency deposits.

SHARE INFORMATION

Table with columns: Stock Name, Price, Change. Lists share prices for various companies.

CANADA

Table with columns: Stock Name, Price, Change. Lists share prices for various Canadian companies.

AMSTERDAM

Table with columns: Stock Name, Price, Change. Lists share prices for various companies in Amsterdam.

OSLO

Table with columns: Stock Name, Price, Change. Lists share prices for various companies in Oslo.

NEW YORK

Large table with columns: Stock Name, Price, Change. Lists a wide range of share prices for various companies in New York.

BRUSSELS

Large table with columns: Stock Name, Price, Change. Lists a wide range of share prices for various companies in Brussels.

TOKYO

Large table with columns: Stock Name, Price, Change. Lists a wide range of share prices for various companies in Tokyo.

JOHANNESBURG

Large table with columns: Stock Name, Price, Change. Lists a wide range of share prices for various companies in Johannesburg.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

GERMAN COMPANIES

Daimler-Benz sales peak as competition sharpens

BY ADRIAN DICKS

DAIMLER-BENZ, in a preliminary report on its performance during 1977, revealed today that its sales had for the first time topped the DM25bn. (\$8.3bn.) mark, while its production of private cars also exceeded the company's own previous records to reach a figure well over 400,000 during the year.

On the strength of this extremely solid performance, Herr Joachim Zahn, the chairman of Daimler-Benz, forecast that profits should correspond to those of the previous year. At the same time, however, he made clear that the recent upward drift of the D-Mark, coupled with the sharpening of competition in the commercial vehicles market in Europe, has presented Daimler-Benz with an extremely tough challenge during the coming year.

Preliminary 1977 results, disclosed by Herr Zahn in Stuttgart this week, show that Daimler-Benz did considerably better than the average for the West German motor industry in its private car sales in 1977. Output rose by 30,000 units this year (compared to an increase of 20,000 units in 1976), while in the six years since 1971 it has risen by over 30 per cent. This compares with a total production increase for the West German motor industry of 3 per cent. during the same period.

Dubai-BICC \$12.5m. deal

A BRITISH company, British Insulated Callender's Cables, and the Emirate of Dubai in the United Arab Emirates are to set up a 50m. dirham (\$12.5m.) joint plant for the production of cables, reports Reuter from Dubai.

Rhone-Poulenc offer

RHONE-POULENC has offered to General des Engrais SA (GESA), the parent of the fertilizer firm Sic de Participations Gardiner (SOPAG).

Deutsche Babcock to pay same

DEUTSCHE BABCOCK, the boiler-makers, power generating equipment and heavy engineering group in which the Iranian Government is the biggest shareholder with a 25 per cent. stake, is to propose an unchanged dividend for 1977-78 following a meeting of the Board and the supervisory council yesterday.

Crédit Suisse after Chiasso

BY JOHN WICKS

ZURICH, Dec. 13.

THE PROFITABILITY of Credit Suisse remains unimpaired and will permit the maintenance of last year's dividend. This is stated by the Swiss bank in a recent edition of the Zurich daily newspaper "Tat" which will be the subject of criminal and civil proceedings.

Loan demand remained lively at home and abroad despite the introduction of the Trans-1977, and deposits are reported to have exceeded the sum recorded at the start of the year. In April it had been disclosed that large sums of clients' fiduciary funds—subsequently specified by the bank as Sw.Frs.2.17bn.—had been misappropriated by managers of the bank's Chiasso branch to the Liechtenstein letter-box company Texon-Finanzanstalt Credit Suisse believes it will take "years" for prosecutions in connection with the case to be concluded.

Inco coupons raised

BY MARY CAMPBELL

THE CONTINUATION of the fall in the dollar plus the acceleration of new issue activity in the U.S. dollar sector took its toll on the Inco two-tranche offering. In the final analysis the coupons have been set a quarter of a point higher than indicated on both tranches.

Hill Samuel as lead manager are expected until the new year. One further issue has been launched in the D-mark sector. It is DM100m. for the American Development Bank. The indicated coupon is 6 1/2 per cent. and the maturity 10 years (bullet). Indicated pricing is 99 1/2 and lead manager Deutsche Bank.

Eurodollar controls proposed

BY STEWART FLEMING

NEW YORK, Dec. 13

A PROPOSAL that the foreign branches of U.S. banks should be required to put aside reserves just like their domestic offices has been put forward by Congressman Henry Reuss, the influential chairman of the House Committee on Banking, Currency and Housing.

In his letter to Dr. Burns, Mr. Reuss argues that U.S. banks are making some \$20m. in loans from foreign branches. He points out that because of reserve requirements are imposed on these loans the banks are able to make a bigger profit than if non-interest earning reserves had to be set aside.

A & P sees new loss of \$5m.

BY TERRY BYLAND

GREAT ATLANTIC and Pacific Tea Company (A and P), the only two years ago, was widely interpreted as an indication of continuing problems within the organisation.

Mr. Gentry, who joined the group share earnings of \$4.25 million, the forecast of \$4.25 million which Fluor said it would be "quite comfortable" in March 1978.

Fluor beats forecast Dana dividend

AN INCREASED dividend has been declared by Fluor Corporation, the international engineering and construction group, which has beaten earnings forecasts for the year to October 31 published by analysts earlier this year.

A FURTHER increase in dividend is announced by Dana Corporation, the U.S. component manufacturer, whose shares are to be listed in London next month. On March 15, holders will receive a payment of \$0.31 a share, beginning an annual rate of \$1.24 a share. Only a month ago, Dana's forecast of \$1.25 a share, which Fluor said it would be "quite comfortable" in March 1978.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

Table with columns for STRAIGHTS, CONVERTIBLES, and NOTES. Lists various bond types and their prices.

Table with columns for STRAIGHTS, CONVERTIBLES, and NOTES. Lists various bond types and their prices.

Advertisement for Société Nationale de Constructions Mécaniques SONACOME. Includes logo, company name in Arabic, and details of a \$72,000,000 Medium Term Loan provided by Banque Nationale d'Algérie.

Advertisement for Laurentide Financial Corporation Ltd. Includes company logo, a nine-month report showing consolidated after-tax earnings, and an operating summary for nine months ended September 30, 1977.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

SWEDISH COMPANIES

AGA in \$30m. U.S. bid

BY WILLIAM DUFFORCE

AGA, the SWEDISH industrial and heat engineering concern, has made a \$30m. bid for 10 share capital of Burdco, of Cleveland, Ohio. The offer, equivalent to \$25 a share, has been approved by the Burdco board and accepted by the president, Mr. S. Michael Loveman, who holds 50.2 per cent of the outstanding common stock. The offer remains open to the other shareholders until January 4. The takeover marks AGA's entry to the U.S. market where, according to annual sales of gas ducts amount to \$1.3bn. AGA's turnover is only some \$200 m. a year, but it operates three air separation and three acetylene factories as well as a hydrogen unit and a specialties gas plant. It holds a not insignificant share of the market in the north-eastern states and the Swedish company sees it as a base for expansion. AGA had a 20 per cent profit growth to Kr.194m. (\$22.3m.) last year. Just under half its turnover, Kr.257m. (\$29.5m.), was derived from gas products, which contributed 85 per cent of the trading profit. About one-third of the cocurrent gas sales are made in the Nordic countries, another third in Western Europe and about a quarter in Latin America. Over the past year AGA has sold its Tudor Battery subsidiary to ESP Inc. and disposed of its military electronics operation. Its half-year report showed an increase in parent company liquid assets of Kr.111m. as a result of these sales, part of which had already been used to acquire a boiler-making company for integration with the best engineering division. AGA has an ambitious expansion programme covering its gas, heat and welding divisions. Earlier this year it estimated that capital investments in the gas division alone would approach Kr.1bn. over the next four years.

STOCKHOLM, Dec. 13.

Capital increase for Fasa Renault

By Robert Graham

MADRID, Dec. 13. FASA RENAULT, the group's Spanish subsidiary in which it holds a 66 per cent stake, is to increase its capital as part of a plan to meet investment needs for expanded capacity. Motor industry sources also believe that the French parent may use this opportunity to acquire a larger share in the company. The company's capital is to be raised by Pesetas 2,250m. from the current Ptas.4,050m.—a substantial new capitalisation. This is being done via the issue of new shares, but the basis for the offer has not been disclosed by Fasa Renault. The principal Spanish shareholders are the Banco Iberico and the Fierro family interests, who are also the principal shareholders of Banco Iberico. This holding is believed to total some 25 per cent. Within the motor industry, there is talk that the Fierro family may well avail themselves of this opportunity to lessen their stake as part of a move to decrease their involvement in industrial equities. The share issue coincides with the imminent merger of Banco Iberico with the Banco Central to create the largest group of banking interests in Spain. Renault, for its part, has set it known that if the new issue is not fully subscribed, it would be willing to step in. Fasa Renault is currently moving ahead with plans to expand the capacity of its plant at Villamarcel de Cerral, Palencia, creating a third production line. Total investment is of the order of Ptas.600m., with over 4,500 new jobs being created. Fasa Renault is the country's second largest car producer, and in the past few years it has slowly eaten into the market share of Seat, whose main shareholders are Fiat and ENI, the State holding company. In October for the first time, Renault cars overtook Seat as the market leader with 30.9 per cent of the sales, against Seat's 28.4 per cent. Renault Motocars Development said it raised its stake in Bernard Motocars to 86.07 per cent from 64.39 per cent by buying 87,571 shares on the Bourse, 69,174 of them from the Bernard family, which held 17 per cent of the company's capital, Benter reports from Paris. Bernard shares were last quoted at Ptas.50, but the price at which Renault bought was not revealed.

AFRIKANER BUSINESS HOUSES

A rift between the giants

BY RICHARD STUART IN JOHANNESBURG

AN APPARENTLY irreconcilable rift has developed between the two major Afrikaner business houses, the Cape-based mutual assurance giant, Sanlam, and the Transvaal-based Volkskas Bank. This north-south split has existed in Afrikaner psychology throughout history but is now spilling over into the business arena, an area where until now the two factions have been happy to co-operate in the common interests of the Afrikaner cause. Tensions between the two were heightened by Sanlam's chairman Dr. Andreas Wassenaar's broadside against government encroachment in his book "Assault on Private Enterprise" published this year. They were brought to a head earlier this year when Sanlam, on the strength of its 29 per cent shareholding in Volkskas, tried to induce Volkskas into taking over the troubled Trust Bank, in which the Sanlam group also held a dominant interest. challenge by launching a Volkskas merchant and industrial bank, established as a joint venture between the two houses, the Cape-based Volkskas Bank, and the Transvaal-based Volkskas Bank. The latest manifestation of this rift is the sale of Sanlam's shareholding in Bonuskor to friendly, but neutral, hands of diverted substantial business away from established merchant banks. The latest manifestation of this rift is the sale of Sanlam's shareholding in Bonuskor to friendly, but neutral, hands of diverted substantial business away from established merchant banks. The latest manifestation of this rift is the sale of Sanlam's shareholding in Bonuskor to friendly, but neutral, hands of diverted substantial business away from established merchant banks.

The collapse of its property subsidiary, Vesting, cost Bonuskor R11m. and left it in dire need of fresh funds. Its most saleable remaining asset was a 28 per cent interest in SA Druggists, a large listed pharmaceuticals concern which was taken into the Sanlam group for R5m. as part of the rescue operation. Volkskas then bought Sanlam's Bonuskor shares at 38 cents apiece, a fraction of the 138 cents net asset value, and will supply continued financial assistance. This latest move has raised speculation as to whether there might be further unravelling of common shareholdings. Volkskas's 10 per cent minority shareholding in Federale Myntbou, the Sanlam-dominated holding company of General Mining, and ultimately of Union Corporation, could be the next on the list.

Further reductions. The market expectation at present is that the long term rate will move down to 9.5 per cent, at least. As a result, demand for bonds is heavy, but the Reserve Bank is rationing supplies. The effect is to maintain pressure for rates to come down, which is in line with the Australian Government's current policy. The Government recently indicated that it expected that the Reserve Bank since September when the long term bond rate and lending rates. To date there has been no signs of lenders sitting in with official policy, but the latest action by the Reserve Bank could now bring about a general reduction in interest rates.

Perstorp expands abroad

BY OUR NOROIC CORRESPONDENT

STOCKHOLM, Dec. 13.

THE FINAL REPORT from the parent company shows a net income of Kr.107m. The Board recommends an unchanged dividend of Kr.4 a share, to comply with the government's request for dividend restraint, but proposes that a one-for-five scrip issue be made, raising the share capital to Kr.79.2m. Perstorp has been going through a period of both product and geographical diversification. More than two-thirds of group sales are now effected outside Sweden. Through Perstorp, its development subsidiary, the group has a foothold in four new product areas: noise abatement materials; additive for the plastic industry; measuring equipment for the foodstuffs industry; and vertical drainage. The acquisition of Waverite in August, 1976 raised Perstorp's share of the decorative laminate market in the U.K. to 20 per cent. This was increased last year by successful marketing, and expects a similar result to expand. This year Perstorp bought a penterythritol plant in Toledo, Ohio, from Pan American Chemicals, and its appetite for foreign companies is still not slaked. High on the list is a consumer plastics manufacturer on the Continent.

Korsnas-Marma setback

KORSNAS-MARMA, the Swedish pulp and paper company which forms part of the Kinnevik group, shows a sharp decline in pre-tax earnings from Kr.175m. to Kr.79m. (\$9m.) in its preliminary report for the financial year ending August 31. This is nevertheless one of the best reports from a Swedish forest-based concern so far this year. Sales increased by just under Kr.60m. to Kr.962m. (\$110m.). The pre-tax figure is struck after historic depreciation of Kr.50.6m., an increase of over Kr.10m. It includes a State stock subsidy of Kr.6.8m., but in contrast with most other Swedish companies, which have been borrowing heavily over the past two years, Korsnas-Marma still reports net financial income of Kr.5.3m. Capital investments were reduced from Kr.301m. to Kr.188m.

Provisions hit FNCB-Waltons

BY JAMES FORTH

SYDNEY, Dec. 13.

FNCB-WALTONS Corporation, the finance company, ran up a loss of \$45.99m. for the year to July 28, after providing \$47.5m. for losses on its investment in its finance subsidiary. The result compares with a profit of \$472,000 in the previous year and \$41.09m. in 1974-75. FNCB-Waltons actually earned a trading profit in the year of \$11.9m. FNCB-Waltons Finance turned in a loss of \$49m. after allowing for the provision for losses on accounts and loans receivable, compared with profit of \$461,000 in the previous year. The directors have not commented on the results because of the recent agreement in which Barclays Bank would buy most of Citibank's interest in the group. Approval has now been given by the appropriate Australian, U.S. and U.K. authorities, and Barclays has now bought 50 per cent of FNCB-Waltons Corporation which has changed its name to Barclays Credit Corporation Limited. The holder of the other 50 per cent is the retail group Waltons Limited. Citibank has acquired FNCB-Waltons Finance from FNCB-Waltons Corporation, and has changed its name to FNCB Finance Limited. All its present real estate, leasing and other assets have been acquired by Citibank. FNCB-Waltons was one of the finance companies adversely affected by property investments.

Bank acts to cut rates

THE RESERVE Bank of Australia has once again acted to reduce bond market interest rates, writes James FORTH from Sydney. This is the fourth round of market operations by the Reserve Bank since September when the long term bond rate and lending rates. To date there has been no signs of lenders sitting in with official policy, but the latest action by the Reserve Bank could now bring about a general reduction in interest rates.

Further reductions. The market expectation at present is that the long term rate will move down to 9.5 per cent, at least. As a result, demand for bonds is heavy, but the Reserve Bank is rationing supplies. The effect is to maintain pressure for rates to come down, which is in line with the Australian Government's current policy. The Government recently indicated that it expected that the Reserve Bank since September when the long term bond rate and lending rates. To date there has been no signs of lenders sitting in with official policy, but the latest action by the Reserve Bank could now bring about a general reduction in interest rates.

Iran stake in First Wisconsin

BANK OMRAN, the banking arm of the Shah of Iran's Farabi Foundation, acquired just under five per cent of the shares of First Wisconsin Corporation, Milwaukee. Midwest Report said, reports AP-DJ from New York. First Wisconsin is the holding company of the First Wisconsin National Bank of Milwaukee. The New York-based publication reported that First Wisconsin National Bank has been co-operating in the management and expansion of the international department of Bank Omran in Tebran for a number of years. Bank Omran is Iran's fifth largest bank. It reportedly started purchasing First Wisconsin's stock in the spring of 1976. Mr. Walter Florentini, first vice-president for marketing of the Wisconsin Bank, said in Milwaukee that he could neither confirm nor deny the report. "We do know that there has been interest in First Wisconsin Corp. stock expressed by some of our business associates in many foreign countries, including Iran," Mr. Florentini said. "If there has been activity, we assume it is modest since the law requires that stock purchasers disclose acquisitions or anticipated purchases that exceed 5 per cent of a corporation's outstanding shares."

Philippines investment

DIRECT NET foreign equity investment in the Philippines from February 1970 to September 1977 amounted to \$771m., other financial institutions absorbed 23 per cent, with to-day, AP-DJ reports from Manila. In addition, approximately \$102m. was invested in Philippine securities, it noted. Of the \$771m. total, \$468m. has been brought into the country as cash, reinvested in dividends and profits, capital machinery, technical fees and foreign loans converted into equity, the announcement said.

DOMESTIC BONDS

Dutch issue could raise Fls 400m.

BY JEFFREY BROWN

FOR a 15 years loan by the Dutch government were priced on December 20 when subscriptions close. The Amsterdam bond market was quiet yesterday and dealers pointed to a possible offer price of around 1001. The government's September loan—a 20 year offering carrying a coupon of 7 1/2 per cent and priced at 98—closed yesterday at around 98 1/2, raising Fls.400m. which dwarf the most recent issue which appeared in beginning January 1973. Early and attracted full or partial redemption will be possible from January 1988.

The new state paper will carry a coupon of 8 1/2 per cent, and be January 18, 1978. Dealings will probably start officially on December 22. The Fls.30m. convertible debenture being issued by NV Beleggingsmij Wereldhave will carry a 7 per cent coupon over seven years. Algemeene Bank Nederland NV reported yesterday. The bonds will be redeemed at par in four nearly equal annual instalments starting January 1982. The debentures will be convertible from January 1978.

Advertisement for Ljubljanska Banka, Stopanska Banka, and Investiciona Banka Titograd. Features logos for the banks and details of a \$90,000,000 U.S. Eurodollar loan. Managed by Citicorp International Group and Bank of America International Limited. Includes a list of participating banks and provided by institutions like Citibank, N.A., and Wells Fargo Bank.

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# New tools for public expenditure control

BY PETER WINTER

SOME three hundred years ago, the Lord Treasurer and his colleagues, greatly troubled by King Charles II's spendthrift gifts from the public lands and funds, went to remonstrate. They must have caught him on a good day because he readily agreed that grants and gifts would no longer be made without consulting the Treasurer. The King issued an Order-in-Council to confirm this and the Treasury officials were so pleased that they hung up the order in their office. . . a year later they were back where they started. Are we about to see a repeat performance?

## Overall

Economists have rightly added another dimension in recent years: they ask where the expenditure shows up. They ask, for example, whether it is for pensioners who spend quickly, or on slowly unfolding investment projects in engineering and building, or on public service thus helping to boost the steady increase in public employment. For both these groups, PESC plus cash limits means much in presenting an overall picture of what public expenditure is doing. However, PESC and cash limits mean much less down in the political market place where both are often seen as remote and a bit elitist. To see in what terms public expenditure is viewed at a wider level, it is necessary to get close to the grass roots. To many politicians public expenditure is a good in itself. We may call them the watering-can school—keep the plants well

watered—and as there are so many genuine needs to be met it has been easy to put up good cases. Many local political feuds have been built on such Lady Bountiful principles, or were more pressing. These feuds have been helped along by professors who should know better than just to point in needs. Then, of course, there is the other school, which believes that the watering-can has weedkiller in it, and that plants may be killed in the process. This school at the moment looks as if it will promise such cuts in taxation that it will fail to deliver what its supporters expect. Caricatures? Yes, but recognisable, I hope. Behind them lie the lobbies and interest groups: farmers, regions, local party divisions, public sector unions and those who fear the politicians play. Few of these groups are particularly interested in the cost of what they propose. Yet if the cost is not worked out clearly the really big policy decisions (demand management, public borrowing, etc.) can go astray quickly, especially in the heady atmosphere of a run-up to an election for example. Apart from this, no-one can manage public programmes, if the last, say 10 per cent, is going to be chopped and changed frequently. Investment needs working capital

at £10,000 each, that is a middle-sized housing estate. Specific examples of what could be got for £5m at the end of last year are illuminating and show what could be done if we organised ourselves to get the answer needed during and not after public debate. (The figures were provided by the Treasury.) For current expenditure of £5m in 1976 we could have paid for 1,080 teachers, or 2,075 private soldiers, or 4,250 old-age civil servants, or 1,142 average pensioners. Or we could have

current programmes need staff—so too frequent changes contrive to make demand and management even more difficult than it is anyway, both politically and economically. A setback of this kind would be unfortunate just when the political scene is being flooded with trailers for the big film: "How to Spend the North Sea." Yet having made so much progress to the methods of man-

most spenders and taxpayers. It sometimes seems as if one was going to Edinburgh and was told the distance in fractions of light years.

With more of this data an interested person could take the cost of tax reliefs and do his own budget. These figures are illustrative but they show what can be done to make public expenditure more understandable in terms of public debate. It is no use relying on Whitehall for instant cost data. This may seem surprising, but Departments are hard-pressed and in any case a Minister trying to get things in the best judge of the cost. With the best will in the world his assumptions are often too favourable to his cause. To get figures like this quickly and efficiently we need a modest agency which could pose proposals and programmes where it matters, that is, in Parliament and for need access to good cost-outlays requires experience and a variety of skills—a few figures slammed together by an interested group is simply not good enough. The Public Accounts and Expenditure Committee have done much good, but Parliament needs machinery for costing needs machinery for costing which could be called on by both Government and Opposition as well as backbenchers. This will put a new realism into argument about expenditure. The influence would work outwards and encourage others to cost their ideas. An arrangement recently established in the U.S. Congress

suggests what with modification could be done. The U.S. Congress set up a Congress Budget Office three years ago and so far it has worked well, under the direction of Alice Rivlin, formerly of the Brookings Institute. It is non-partisan and its main jobs are to monitor approved expenditures and to provide analysis where necessary.

## More careful

Talking recently about estimating end costs in relation to departmental agencies, the deputy director of the Budget Office said: "Everyone is a lot more careful now that there's competition." There can be no doubt that the equality of debate on expenditure would be greatly strengthened if the House generally had access to harder and better information. The government, which would not always be to be found on proposals. The lobbies and interests would have a better idea of what was involved and would have to be more realistic as would the critics. Downright figure mongering would be discounted. Each would have the material to do his or her own sums. This is the best way to reinforce expenditure management. "Mr. Winter is a Director of Vickers, overseas director of the CEBG and former Deputy Secretary to the Ministry of Technology and DTI."

The totals are so huge and the details so uninformative as to be virtually useless for most spenders and tax-payers. It sometimes seems as if one was going to Edinburgh and was told the distance in fractions of light years.

ing expenditure it should be possible to find a way out. A plan on the following lines. First of all we have to remind ourselves that public expenditure is the very stuff of power and politics, as the Treasurer learned 300 years ago. Second, we need not make it worse by not providing enough information for debate. The annual White Paper are of little use in day-to-day political debate. The totals are so huge and the details often so uninformative as to be virtually useless for

the Victoria and Albert Museum together with the National Gallery. Alternatively £5m. would just about meet the U.K. contributions to three UN bodies: the Children's Fund, the FAO and UNESCO. Such figures give us the beginnings of a DIY set of tools for the plain man. At present it is not easy to see what a saving of, say, £50m. on the Civil Service means—and vice versa. But with a set of figures like these the task becomes plainer, and thus perhaps easier.

established in the U.S. Congress

## ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office

Table with columns for OPERA & BALLET, THEATRES, and CINEMAS. Lists various venues, shows, and performance times.



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FARMING AND RAW MATERIALS

Australian wool output figure cut

SYDNEY, Dec. 13. AUSTRALIA'S 1977-78 July-August wool clip is estimated at 858.4m. kilos, the National Council of Wool Selling Brokers said yesterday. In October the Council forecast the clip at 822.6m. kilos after predicting 822.6m. kilos in July. This compares with a revised estimate of 860m. kilos for the 1976-77 season, almost 7 per cent below the 1975-76 level. The Council said the committee reduced its short wool forecast to 598.8m. kilos from 614m. kilos in the previous season. It also cut its long wool forecast to 259.6m. kilos from 263.8m. kilos in the previous season. The committee said the higher price for dead and fullgrown wool had caused a decline in the output of short wool. Sheep numbers at the end of 1977 are still estimated at 135.5m. head, but it is thought a number of sheep will be culled to bring the total to 400,000 fewer than the last estimate of 140.8m. (including double-bearing). The sheep numbers compare with 138m. a year earlier.

French get go-ahead to devalue 'green franc'

BRUSSELS, Dec. 13. The Ministers put a seal of approval on a decision to devalue the franc which has allowed German housewives to buy cheap butter from ships sailing outside the three-mile customs limit. Such ships will be allowed to operate in EEC waters for another two years, when the situation is to be reviewed, and earlier suspended if it is resumed. But for the first time, limits have been introduced which will restrict each passenger to 1 kilo each of butter and cheese, 3 litres of wine and 2 kilos of any other agricultural product—sugar for example. The decision to restate the export subsidy was strongly opposed by the Dutch and Danes, who are keen to dismantle their butter stocks. Commenting on the decision afterwards, Mr. John Silkin, the U.K. Agriculture Minister, said the decision was unlikely to affect Britain while its butter prices remained well below those elsewhere in the EEC. Even phasing out the U.K. butter subsidy over the next year proceeds as proposed by the Commission, this would not begin until after April and would take many months to affect retail prices. The Ministers did not discuss the question of an EEC regime for sheep meat to which is being strongly urged by the Irish who are keen to increase their access to the higher-priced French market. But there was rising speculation here that the French are considering a bilateral deal with the Irish to allow in around 6,000 tonnes a year while keeping the market closed to British supplies. It is suggested that the Irish Government would agree to drop a court case, now pending against the French, if they were allowed free access to the French market. The French are also believed to be seeking a further devaluation in a few months time. The Council also agreed to increase beef imports into the EEC above levels proposed by the Commission. The amount coming in under the GATT arrangements will be held at 38,000 tonnes in 1978, but that covered by the "balance sheet" for meat manufacturing rises to 50,000 tonnes, half free and half at reduced levels. The Commission, mindful of the present 400,000-tonne beef import currently growing by 8,000 tonnes a week, had proposed a 40,000-tonne import quota. However, though it failed to hold imports up, the Commission succeeded in retaining the fumigation system whereby purchases from non-EEC countries must be matched by purchases from intervention stocks. The Ministers did not discuss the question of an EEC regime for sheep meat to which is being strongly urged by the Irish who are keen to increase their access to the higher-priced French market. But there was rising speculation here that the French are considering a bilateral deal with the Irish to allow in around 6,000 tonnes a year while keeping the market closed to British supplies. It is suggested that the Irish Government would agree to drop a court case, now pending against the French, if they were allowed free access to the French market. The French are also believed to be seeking a further devaluation in a few months time.

Sharp fall in-cash tin price

By Our Commodities Editor. TIN PRICES fell sharply on the London Metal Exchange yesterday for the second day in succession. Cash tin was hardest hit, falling by £145 to £7,190 a tonne, following more offerings of spot supplies and reports of fresh arrivals from Malaysia into LME warehouses. With the Penang market also lower overnight, there was nervous selling by speculators as this drove the tin to three months' quotation down by £75.50 to £6,825 a tonne. The gap between the cash and three months' quotation has now narrowed to £275 compared with nearly £400 last Friday, when the cash price soared to a record £7,255 a tonne in anticipation of a further fall in LME warehouse stocks. Copper prices also lost ground, after opening on a firmer note. In the morning, West German demand, reflecting weakening of the Deutschmark, kept the market buoyant. But when the New York market opened on a lower note, London quickly followed and cash retreated £25 down to £673 a tonne. The decline in New York strengthened the view of some dealers that Asarco may have been premature in raising its U.S. domestic price by 2.50 to \$2.50 cents a lb on Monday. It is left other producers to make some time to follow Asarco's lead.

BRAZIL COFFEE PRODUCTION Warming up after the big frost

BY JOHN EDWARDS, RECENTLY IN LONDRINA. VISITORS TO Brazil this month from the International Coffee Organisation to mark the 50th anniversary of coffee growing in Brazil will find the coffee crop in good shape. The big frost that devastated the crop in Paraná around Londrina—still known as the "coffee capital"—of the Paraná valley, has been largely confined to that area and has not reached the other coffee-growing areas. It was the small farmers who were hardest hit by the frost. Most of the big farmers held surplus stocks of coffee—big growers I spoke to had five crop years' worth of coffee. They were able to sell at much higher prices to offset the frost losses. This was in addition to the replanting incentives offered by the Government which have encouraged a return to coffee growing but on a considerably reduced scale. In the late 1960s, Paraná State alone produced 20m. bags of coffee, establishing it as the largest coffee producing State in Brazil. In 1976, after the frost, there was virtually no coffee produced. This year the crop was a mere 1.8m. bags. The forecast for next year is 5.5m. bags, although some growers are concerned over the resurgence of an old crop disease that is causing some problems. However, according to the Paraná Secretary of Agriculture, who is himself a coffee farmer, the maximum level of production is 10m. bags. It is expected to be in four or five years. This is assuming no frost disasters meanwhile. The reason is basically that many small farmers have been permanently discouraged from returning to coffee-growing, and now have a preference for a more viable alternative in soyabean. Plantings of coffee fell to 749,700 hectares in 1976-77 compared with 1,245,000 hectares in 1973-74. The number of trees fell to 700m, against 900m. in 1975, when Paraná achieved over 50 per cent of Brazil's coffee crop. Growers claim that the production crisis required for coffee has risen enormously and so has the cost of the rich soil reworked. However, in one way the frost was good for Paraná in bringing about the extensive replanting of old trees with new better yielding varieties and improving the methods of planting and husbandry. The old trees are being replaced by smaller ones that can be planted in far greater density per hectare and therefore raise the yield considerably in some cases. But it will be five years before the new trees yield their full potential. For big farmers coffee is an extremely profitable crop at current prices, making the most use of the fertile soil. This is despite the ever-present danger of frost in the winter months, and the fact that in the words of one large grower "coffee has to be treated like a baby with constant attention all the time." At the same time there is little chance in the foreseeable future of any real mechanisation of the picking, which is done by hand. "Shake" machines are being tried out, but they tend to be unselective and harm trees. Nevertheless coffee-growing is very much a tradition in Brazil, and there is genuine optimism among growers that prices will remain at or above present levels. The recent cut in the Brazilian coffee minimum export price from \$2.20 to \$2.10 a bag (of 60 kilos) is not seen as a "defeat." Indeed, predictably, growers and the IBC—the Brazilian Coffee Institute which controls the market—are forecasting a rise in prices during 1978 when an expected recovery in demand could emphasise the paucity of supplies available. From the Brazilian point of view, the fundamental statistics are quite simple. At the end of

Japanese and Russians share whale catch

By Our Commodities Staff. JAPAN AND RUSSIA have divided between themselves the northern sperm whale quota in same proportion as last year following a cut agreed by the International Whaling Commission (IWC) in the total catch. The Soviet Union will have a share of 3,600 whales and Japan 3,400, making a total northern quota of 6,444. Last year Japan allocated 4,122 whales out of a total of 7,900, with the remainder going to Japan. The IWC agreed the northern sperm whale quota for last week as a result of a suspension of its scientific committee earlier this month. The Commission had agreed last 6 to 700 whales to the catch. Last week's vote was 65 in favour of the USSR and 14 in which take about 75 per cent of the world's whale catch. Two countries are the sole whaling operators in the Pacific.

U.S. farms may grow more soya

CHICAGO, Dec. 13. THERE IS "a good chance" that U.S. farmers will increase soybean acreage next year if the present planting season soya and maize prices remains unchanged, Mr. Walter Saunders, vice-president of the Cargill marketing and transport group told the seventh International Commodities Conference here. He added that plantings would also be influenced by U.S. Government self-sale provisions. However, he said, other factors would limit the impact of prices of increased sowings. Farmers would be reluctant to sell at very low prices, he claimed. There was always uncertainty over possible purchases of soya by the USSR and China. Southern hemisphere crops were always at risk from bad weather, he added. Mr. Saunders said the USDA estimate of soybean exports of 6,000, bushels this year compared with 5,600 a year ago and included the USSR taking 2m. tonnes. "There is some doubt the USSR will need that much," he said. "China, too, becomes very important. What if anything will they buy?" The USDA estimate of domestic soybean crushings of 2,550, bushels, from 780m. last year may be too low, Mr. Saunders said. He predicted U.S. exports of soybean oil may be less than the 1.6bn. lbs last year because of stronger competition from other vegetable oils and because India had a much better oilseed crop this year. Domestic soybean oil consumption this year was expected to be slightly above last year as a result of increased cottonseed and sunflowerseed oil production as well as more palm oil imports, Mr. Saunders said. August 31, 1978, he forecast soybean production at 4.67m. bushels, Brazil's crop at 143m. bushels, Argentina's at 460m. bushels and China's at 350m. bushels. He also forecast increased demand for soybean meal in the U.S. due to high livestock and poultry stocks.

Crude palm oil buying by India

TRADERS in London yesterday said India had purchased 5,000 tonnes of Malaysian crude palm oil through its state trading corporation for December-January shipment at \$540 a tonne cost and freight, Bombay. In Kuala Lumpur meanwhile, palm oil exporters have been buying back more nearby shipment oil because they can get more for it on the local market. Exporters are buying back a further 5,000-10,000 tonnes from Rotterdam in addition to the 10,000-20,000 tonnes reportedly bought back in late November. Crude palm oil is currently fetching between 900 ringgit and 1,000 ringgit a long ton on the local market under the influence of active demand from India and some other overseas buyers. Reuter

Grain deficit expected

CHICAGO, Dec. 13. WORLD GRAIN production will probably be insufficient to meet the demand by 1990, despite expected gains in productivity, Mr. Thomas J. Roberts Jr., chairman of Dekalb Agreareb Inc., told a session of the Seventh International Commodities Conference here. Mr. Roberts said: "Our economists forecast that annual cereal grain consumption will rise by at least an average of 2 per cent annually through 1990, from a level of 1.3bn. tonnes in the 1972-74 period to 1.5bn. by 1990, and they see demand exceeding production by 102m. tonnes in that year." The USDA estimate of domestic soybean crushings of 2,550, bushels, from 780m. last year may be too low, Mr. Saunders said. He predicted U.S. exports of soybean oil may be less than the 1.6bn. lbs last year because of stronger competition from other vegetable oils and because India had a much better oilseed crop this year. Domestic soybean oil consumption this year was expected to be slightly above last year as a result of increased cottonseed and sunflowerseed oil production as well as more palm oil imports, Mr. Saunders said.

SOYABEAN MEAL

The market was easier again, reflecting a shift to local supplies. Soyabean meal was down 1/2¢ to \$11.50 a tonne. Soyabean oil was down 1/4¢ to \$11.50 a tonne. Soyabean cake was down 1/4¢ to \$11.50 a tonne. Soyabean hulls were down 1/4¢ to \$11.50 a tonne. Soyabean meal was down 1/2¢ to \$11.50 a tonne. Soyabean oil was down 1/4¢ to \$11.50 a tonne. Soyabean cake was down 1/4¢ to \$11.50 a tonne. Soyabean hulls were down 1/4¢ to \$11.50 a tonne.

PRICE CHANGES

Table with columns for Dec. 13, 1977, and Month ago. Lists price changes for various commodities like Wheat, Corn, Soybeans, etc.

COMMODITY MARKET REPORTS AND PRICES

Table listing prices for various commodities including metals, oil, and grains. Includes sub-sections like BASE METALS, COFFEE, RUBBER, GRAINS, SILVER, COCOA, and WOOL FUTURES.

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STOCK EXCHANGE REPORT

Gilt-edged turn easier on cessation of recent buying Equities dull again with index shedding 7.6 more at 476.9

Acrobatic Dealings Dates... First Declara... Last Account... Dealings Dates... Dec 28 Dec 29 Dec 30 Jan 11 Jan 12 Jan 13 Jan 24

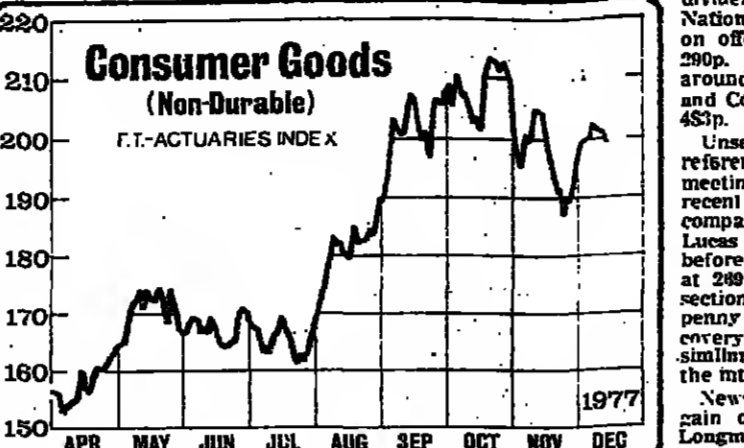
reaction, dealers opened quotations lower at the longer end but still bought stock and the 30 n.m. close was the day's worst with extensive losses to 3. Shorter maturities were not affected to the same degree because recent gains have been proportionately smaller, and falls here ranged to only 1/2 stocks with life of 10 or more than two years in contrast, attracted limited support and improved that fraction in places.

ened 2 to 17 1/2 in front of 10-day's interim figures, while Royce were firm again at 50 1/2, up 2 1/2. With the aid of option activity, at P. needs hardened 3 to 35 1/2. Second thoughts about the intrinsic results caused Ward and Goldstone to react 3 to 10 1/2.

statement. Smiths Industries became a dull market at 15 1/2, down 2 on the chairman's warning of lower first-half profits in the current financial year, while the first-half outlook left Cawoods 3 lower at 14 1/2. Favourable Press comment raised Talbot 2 1/2 to 10 1/2, while revised bid rumours accounted for a gain of 6 to 14 1/2 in E. Fogarty. Rises of 6 to 8 were scored by GR (Holdings), 40 1/2, Hunting Associated, 13 1/2, and Crosby House, 12 1/2, but L. Randall, at 6 1/2, gave back 6 of Monday's rise of 7. Of the miscellaneous industrial leaders, Unilever fell 8 more to 34 1/2 on the dashed hopes of a higher dividend following the bid for National Starch. Metal Box came on offer and closed 12 down at 29 1/2, after 25 1/2, while falls of around 10 were seen in Reckitt and Colman, 43 1/2, and Pilkington, 45 1/2.

Unsettled by the chairman's reference about the effects of the recent toolmakers strike on the company's investment plans, Lucas were sold down to 23 1/2 before a close of a net lower at 23 1/2. Elsewhere in the sections, Oliver Rice hardened a penny to 5p on the profits recovery while Calfins improved similarly to 8 1/2 in response to the interim statement.

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Steadier conditions obtained in the money market, with the further arbitrage offerings of investment currency, the premium moving within a very narrow range before closing just a shade easier than the previous day. Yesterday's 90 percent factor was 0.7296 (0.7292).

Following an introduction, initial dealings started yesterday in Henry Sykes in which interest was previously permissible only under Special Rule; the shares are quoted in our Engineering sector and closed a penny off at 10 1/4.

speculative favourite RTV gave up 2 to 11 1/2. K Shoes please Still reflecting the disappointing retail sales figures, leading stores were inclined easier. Gussies A shed 6 to 30 1/2 and Marks and Spencer 3 to 13 1/2, while House of Fraser and UDS were 2 lower at 13 1/2 and 8 1/2 respectively. Burton issues, which have been firm recently on recovery hopes, also gave ground, the Ordinary and A losing a penny apiece to 9 1/2 and 9 1/4 respectively. Elsewhere, N. Brown Investments edged forward the turn to 3 1/2 ahead of tomorrow's interim results, while Church found support at 18 1/2, up 4.

about current trading, which accompanied the annual results, in contrast, speculative interest developed in Spencer Gears, which advanced 6 to 33 1/2, while other bright spots included Advance, 5 to the good at 25 1/2, and J. Snake, 1 1/2 dearer at 33 1/2.

Properties ease Properties participated in the general market reaction. Land Securities, 20 1/2, and MEPC, 11 1/2, lost 3 and 4 respectively, while Great Portland reacted 8 to 25 1/2. Losses of about 5 were seen in Hammarston A, 30 1/2, Rees-Ham, 10 1/2, Stock Conversion, 23 1/2, and Allmatt London, 21 1/2. First-half profit statements had little impact on either Warnford Investments, a shade easier at 27 1/2, or Property Holding, 2 up at 33 1/2. Against the trend, housebuilders Rush and Tompkins, 33 1/2, and A. and J. Mueckel, 10 1/2, improved 2 and 3 respectively.

Lack of investment incentive was held responsible for a gentle downward drift in Oils, British Petroleum declined 8 to 33 1/2, while Shell, 50 1/2, and Esso, 50 1/2, did little to 50 1/2. Scattered profit taking after the recent speculative rise left OR Exploration 10 lower at 30 1/2, while falls of 4 were sustained by Stebens (U.K.), 27 1/2, and Property, 13 1/2, and Ultramar, 22 1/2. Apart from a rise of 3 to 60p in

reaction in Gilts The recent upsurge in long-dated Gilt-edged abated yesterday as buying enthusiasm waned and 3 1/2 profit-taking set in. Recent developments on the domestic labour front were no doubt partly responsible for the curtailment in demand while some gloomy news speculation about today's trade figures encouraged some operators to take profits. Forecasting a

recession, dealers opened quotations lower at the longer end but still bought stock and the 30 n.m. close was the day's worst with extensive losses to 3. Shorter maturities were not affected to the same degree because recent gains have been proportionately smaller, and falls here ranged to only 1/2 stocks with life of 10 or more than two years in contrast, attracted limited support and improved that fraction in places.

Early news of increased first-half profits boosted LRC International to 8 1/2, but disappointment with the dividend forecast accompanying the proposed one-for-one rights offer at 10p a share saw a reaction to 7 1/2 for a net loss of 3. Annual profits in line with expectations and an encouraging statement on prospects wiped out a small initial fall in ICL, which closed 7 up at 31 1/2, after extremes of 20 1/2 and 21 1/2. Improved mid-way figures from Smith and Nephew brought a penny rise to 6 1/2, but I.C. Gas reacted 5 to 37 1/2 on the interim

statement. Smiths Industries became a dull market at 15 1/2, down 2 on the chairman's warning of lower first-half profits in the current financial year, while the first-half outlook left Cawoods 3 lower at 14 1/2. Favourable Press comment raised Talbot 2 1/2 to 10 1/2, while revised bid rumours accounted for a gain of 6 to 14 1/2 in E. Fogarty. Rises of 6 to 8 were scored by GR (Holdings), 40 1/2, Hunting Associated, 13 1/2, and Crosby House, 12 1/2, but L. Randall, at 6 1/2, gave back 6 of Monday's rise of 7. Of the miscellaneous industrial leaders, Unilever fell 8 more to 34 1/2 on the dashed hopes of a higher dividend following the bid for National Starch. Metal Box came on offer and closed 12 down at 29 1/2, after 25 1/2, while falls of around 10 were seen in Reckitt and Colman, 43 1/2, and Pilkington, 45 1/2.

Unsettled by the chairman's reference about the effects of the recent toolmakers strike on the company's investment plans, Lucas were sold down to 23 1/2 before a close of a net lower at 23 1/2. Elsewhere in the sections, Oliver Rice hardened a penny to 5p on the profits recovery while Calfins improved similarly to 8 1/2 in response to the interim statement.

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BANKING AND SOURCES OF FINANCE IN THE FAR EAST. Published by the Banker Research Unit and now available, this new volume describes banking systems and credit sources in ten countries of the Far East. These are: AUSTRALIA, NEW ZEALAND, INDONESIA, THE PHILIPPINES, THAILAND, MALAYSIA, SINGAPORE, HONG KONG, JAPAN and SOUTH KOREA.

RECENT ISSUES EQUITIES. Table listing various equity issues with columns for Issue, Price, and other financial metrics.

FIXED INTEREST STOCKS. Table listing fixed interest stock issues with columns for Issue, Price, and other financial metrics.

ACTIVE STOCKS. Table listing active stock issues with columns for Stock, Denom, Closing Price, and other financial metrics.

FT-ACTUARIES SHARE INDICES. Table showing equity groups and sub-sections with columns for Index, Day's Change, and other metrics.

FIXED INTEREST PRICE INDICES. Table showing fixed interest price indices with columns for Index, Day's Change, and other metrics.

FIXED INTEREST YIELDS. Table showing fixed interest yields with columns for Index, Day's Change, and other metrics.

FINANCIAL TIMES BRACKEN HOUSE, 10 CANNON STREET, LONDON EC4P 4BY. Includes contact information for editorial, advertising, and subscriptions.

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AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of Authorised Unit Trusts with columns for Trust Name, Manager, and various performance metrics.

Table of Offshore and Overseas Funds with columns for Fund Name, Manager, and various performance metrics.

CLIVE INVESTMENTS LIMITED advertisement with contact details and investment information.

CORAL INDEX: Close 473.43P advertisement.

INSURANCE BASE RATES advertisement listing various insurance products and rates.

BASE LENDING RATES advertisement listing various bank lending rates.

IT IN 50,000 BETTER TOMORROWS!! advertisement for multiple sclerosis treatment.

INSURANCE, PROPERTY, BONDS

Table of Insurance, Property, and Bonds with columns for Company Name, Product, and various details.

NOTES

Notes section containing various financial and market commentary.

Brown Shipley the right size for your merchant bank

FT SHARE INFORMATION SERVICE

HOTELS - Continued

BRITISH FUNDS

Table of British Funds with columns for Name, Stock, Price, Div, and Yield.

Shorts (Lives up to Five Years)

Table of Short-term investments with columns for Name, Stock, Price, Div, and Yield.

Five to Fifteen Years

Table of Medium-term investments with columns for Name, Stock, Price, Div, and Yield.

Over Fifteen Years

Table of Long-term investments with columns for Name, Stock, Price, Div, and Yield.

Uncated

Table of Uncated investments with columns for Name, Stock, Price, Div, and Yield.

INTERNATIONAL BANK

Table of International Bank shares with columns for Name, Stock, Price, Div, and Yield.

CORPORATION LOANS

Table of Corporation Loans with columns for Name, Stock, Price, Div, and Yield.

LOANS

Table of Loans with columns for Name, Stock, Price, Div, and Yield.

Public Bond and Ind.

Table of Public Bond and Industrial shares with columns for Name, Stock, Price, Div, and Yield.

Financial

Table of Financial shares with columns for Name, Stock, Price, Div, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds and Rails with columns for Name, Stock, Price, Div, and Yield.

AMERICANS

Table of American shares with columns for Name, Stock, Price, Div, and Yield.

AMERICANS - Continued

Table of American shares (continued) with columns for Name, Stock, Price, Div, and Yield.

CANADIANS

Table of Canadian shares with columns for Name, Stock, Price, Div, and Yield.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase shares with columns for Name, Stock, Price, Div, and Yield.

Hire Purchase, etc.

Table of Hire Purchase, etc. shares with columns for Name, Stock, Price, Div, and Yield.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits shares with columns for Name, Stock, Price, Div, and Yield.

CINEMAS, THEATRES AND TV

Table of Cinemas, Theatres and TV shares with columns for Name, Stock, Price, Div, and Yield.

DRAPERY AND STORES

Table of Drapery and Stores shares with columns for Name, Stock, Price, Div, and Yield.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of Building Industry, Timber and Roads shares with columns for Name, Stock, Price, Div, and Yield.

BUILDING INDUSTRY - Cont.

Table of Building Industry shares (continued) with columns for Name, Stock, Price, Div, and Yield.

DRAPERY AND STORES - Cont.

Table of Drapery and Stores shares (continued) with columns for Name, Stock, Price, Div, and Yield.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics shares with columns for Name, Stock, Price, Div, and Yield.

ENGINEERING

Table of Engineering shares with columns for Name, Stock, Price, Div, and Yield.

ENGINEERING TOOLS

Table of Engineering Tools shares with columns for Name, Stock, Price, Div, and Yield.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, etc. shares with columns for Name, Stock, Price, Div, and Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers shares with columns for Name, Stock, Price, Div, and Yield.

ENGINEERING - Continued

Table of Engineering shares (continued) with columns for Name, Stock, Price, Div, and Yield.

ELECTRICAL AND RADIO

Table of Electrical and Radio shares with columns for Name, Stock, Price, Div, and Yield.

ENGINEERING TOOLS

Table of Engineering Tools shares with columns for Name, Stock, Price, Div, and Yield.

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Table of Hotels and Caterers shares with columns for Name, Stock, Price, Div, and Yield.

INDUSTRIALS (Miscel.)

Table of Industrial shares (Miscellaneous) with columns for Name, Stock, Price, Div, and Yield.

Table of Hotels and Caterers with columns for Name, Stock, Price, Div, and Yield.

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INDUSTRIALS—Continued

Table of industrial stocks including companies like I.C. Ind. Ltd., Laidlaw, and others with columns for stock price, price change, and other metrics.

INSURANCE—Continued

Table of insurance stocks including Sun Alliance, Lloyds, and others.

PROPERTY—Continued

Table of property-related stocks and companies.

INV. TRUSTS—Continued

Table of investment trusts such as Canadian Inv. Tr., etc.

FINANCE, LAND—Continued

Table of finance and land-related stocks and companies.

International Financier DAIWA SECURITIES logo and text.

MOTORS, AIRCRAFT TRADES

Table listing motors and aircraft trade companies like Rover, Ford, etc.

SHIPBUILDERS, REPAIRERS

Table listing shipbuilders and repairers.

SHIPPING

Table listing shipping companies.

SHOES AND LEATHER

Table listing shoes and leather goods companies.

SOUTH AFRICANS

Table listing South African stocks.

TEXTILES

Table listing textile companies.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

PAPER, PRINTING ADVERTISING

Table listing paper, printing, and advertising companies.

PROPERTY

Table listing property-related stocks.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land-related stocks.

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MINES—Continued

Table listing mine stocks like CENTRAL AFRICAN, AUSTRALIAN.

OVERSEAS TRADERS

Table listing overseas trading companies.

RUBBERS AND SISALS

Table listing rubber and sisal stocks.

TEAS

Table listing tea stocks.

MINES

Table listing mine stocks.

CENTRAL RAND

Table listing Central Rand mine stocks.

EASTERN RAND

Table listing Eastern Rand mine stocks.

FAR WEST RAND

Table listing Far West Rand mine stocks.

O.F.S.

Table listing O.F.S. stocks.

FINANCE

Table listing finance stocks.

REGIONAL MARKETS

Table listing regional market data.

OPTIONS

Table listing options data.

DIAMOND AND PLATINUM

Table listing diamond and platinum prices.

FINANCE, LAND, etc.

Table listing finance and land-related data.

Notes and additional information regarding the market data.

